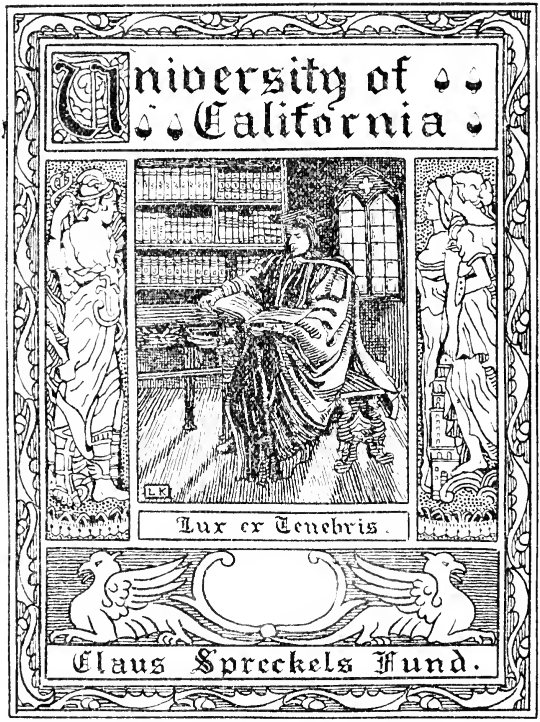
THE STANDARD

OF VALUE

SEVENTH EDITION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THE
STANDARD OF VALUE

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BY

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SEVENTH EDITION

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PREFACE

TO

THE SEVENTH EDITION

THE main point which now underlies all the questions at issue in the Battle of the Standards is the charge of attempting and the counter-charge of maintaining the establishment of a system which creates injustice between debtor and creditor. The Gold Standard Defence Association denounce those who advocate the restoration of silver to its former position in the currency as advocates of principles of fraud and robbery.[1] The champions of silver, on the other hand, claim that they are the true representatives of the cause of justice and of honour, arrayed against mistaken and unjust principles, which triumphed in the year 1873 in the substitution of the gold for the Double Standard. They contend that the injustice of the system then inaugurated has been continuous in its action, and that the only practical way to correct this injustice, which

[1] Gold Standard Defence Association, *Paper No.* 2, p. 5; 11 and 12 Clement's Lane, Lombard Street.

is otherwise more likely to become intensified than diminished from year to year, is to restore silver to its former position as a legal standard of value.

The argument of this book is to the effect that the Double Standard is not only required for the general welfare of the country, but that it also represents the cause of justice and of honour.

The leaders of the Bimetallic League have clouded the question when considered purely on its merits, as a matter of honour and intrinsic justice, by advocating the restoration of silver to the Standard only on condition of this being effected by joint action under international treaty with other nations. They agree that unjust and injurious effects have resulted from the closing of the mint against silver, and cannot be corrected or prevented from increasing in their intensity except by the restoration of silver to its former position in the currency. I contend that if the Double Standard is a better standard than the Gold Standard, and if injustice is being done by the maintenance of the latter, the interests and the honour of the country combine to make it our duty to take the practical lead for the restoration of silver with the same freedom with which we took the lead in the closing of the mints of the world against it. This book shows the practicability of such action, and how any incidental losses to individuals which may be caused by the proposed action of the mint could be provided for better than under international agreements.

The position taken by the leaders of the Bimetallic League—if they who for twenty years have been calling for International Congresses to tell them what to do can properly be called leaders—is that, though the Double Standard is a better standard than the Gold Standard, we must not make use of it unless other nations will pledge themselves to join in using that good thing, and also they argue that great injustice has been done, is now being done, and will continue to be done in this country by the maintenance of the Gold Standard ; but notwithstanding this, they insist that nothing must be done by us to remedy such injustice in this country unless other nations agree to remedy similar injustice, which we tell them is being perpetrated in their domains. A man anxious to get at the kernel of a walnut which he holds in one hand with proper nut-crackers in the other hand, which he will not use because by some abstruse arguments he has convinced himself that a Nasmyth hammer is requisite for the purpose, pictures the official attitude of the Bimetallic League, whose timidity has made mountains of molehills and frightened Lombard Street into a defence of the Gold Standard by magnifying the difficulties of returning to the standard under which this country became the leader of the world in finance and commerce.

I stood at one time alone as an advocate of the practical course of action suggested in this book, but an echo has just resounded from six million voices in the Western States of America across the Atlantic and

startled monometallists into an outburst of invective against Mr. Bryan, who has become the leader of the silver party in the United States.

Their strictures on Mr. Bryan apply with equal force to the present leader of the House of Commons, to the present Prime Minister in France, to half the members of the Royal Commission on Gold and Silver, and to many other leading men in this and foreign countries. Benjamin Disraeli, in his ever memorable speech in Glasgow in November 1873, spoke words of warning regarding the attempts being made to change the standard of value; and Prince Bismarck has recently expressed regret for the part his Government took in bringing about the change commenced in Germany in 1871, and has expressed approval of the course of action adopted in the United States by the party of which Mr. Bryan has become the leader.

The manner in which Mr. Bryan is accused by leading monometallic journals and speakers of wanting to pay *gold* debts in silver and all current *dollar* debts in 'fifty cent dollars' does not appear explicable, except by supposing the monometallic party to be for the moment dazed by the sudden rising of the first wave of the flood in the Far West, which has fallen, for a moment, only to rise again, wave after wave with increasing force, until the injustice caused by the Gold Standard has been corrected.

Mr. Bryan, in his first Chicago speech, expressly declares that his party have 'no intention of affecting

those contracts which, according to the present laws, are made payable in gold.'[1] And in his carefully prepared New York speech he says: 'Perhaps the most persistent misrepresentation that we have to meet is the charge that we are advocating the payment of debts in fifty cent dollars. At the present time and under present laws, a silver dollar when melted loses half its value, but that will not be true when we again establish a mint price for silver, and leave no surplus silver upon the market to drag down the price of bullion. Under bimetallism silver bullion will be worth as much as silver coin, just as gold bullion is now worth as much as gold coin, and we believe that a silver dollar will be worth as much as a gold dollar.' . . . . . 'The restoration of bimetallism in the United States will take away from gold just as much of its purchasing power as was added to it by the demonetisation of silver in the United States.'[2]

It is not for Mr. Bryan to frame clauses to meet circumstances which he asserts will never arise. Reasonable clauses, framed by those who think they may become of importance, will not be opposed by those whose chief object is to stop the continuous appreciation of the standard of value.

[1] *W. J. Bryan's Speech in Full*: the Full Text of the Speech of the 'Boy Orator' of Nebraska, made in the Chicago Convention in response to Senator Hill's Attack on the Platform, p. 4. Fry Brothers, 59 Broad Quay, Bristol.

[2] 'The Full Text of Mr. Bryan's Great Speech,' *New York Journal*, August 13, 1896.

I have throughout this work contended that the English mint could without international treaties restore silver to its former price of about 60*d.* per ounce, but have not discussed the power of either the United States or the French mint, by the sole action of either one, to restore and permanently re-establish the former gold value of silver. Suppose, for the sake of argument, that Mr. Bryan is mistaken in his estimate of the influence of the United States mint, and that under his proposed action gold would go to a premium in the United States. There certainly is sufficient intelligence among United States legislators to frame a clause to enable the holder of any current obligation equitably entitled to the premium to claim and collect it. It is true that Mr. Bryan has suggested that in case of gold going to a premium contrary to his expectations, the weight of the gold dollar could then be reduced to bring it to the value of the silver dollar ; but that need not prevent or affect equitable adjustments as regards current contracts. Such a reduction of the weight of the gold coins I long ago suggested might become the only practicable course for countries holding, like France and the United States, large amounts of what, whilst the mints are closed against silver, must continue to be overvalued silver coins, to take in order to get clear of that abnormal condition. They have their currency in a state which cannot reasonably be allowed to continue, but the complication can be corrected without perpetrating injustice on current contracts.

Mr. Bryan strikes the keynote on this point when he says: 'A dollar which increases in purchasing power is just as dishonest as a dollar which decreases in purchasing power.' And also that it is a mistake to suppose 'that we have reached the end of the evil results of the Gold Standard; we have not reached the end. The injury is a continuing one.'

So many of the advocates of the Gold Standard support it expressly because the appreciation of gold resulting from the exclusion of silver from the currency gives to creditors the advantage of the enhanced value of their incomes, that the fact of individual debtors, and debtor nations, being injured by the rising value of gold can scarcely require further discussion. In reply to arguments urged before the Royal Commission on Gold and Silver, I pointed out, in previous editions of this book, that a community of interests was being created between the wealth-producing classes of this country, foreign nations, and our colonies to protect themselves against the unjust action of the Gold Standard. The selfishness of the arguments by which monometallists have defended, and thus far succeeded in maintaining, our Gold Standard has created a bitter feeling of hostility to this country throughout the silver party in the United States which may at any moment find an echo in our colonies and in the wealth-producing classes at home, and jeopardise the position of this country among the nations of the world. This forms an important thread in the argument of this book.

I have in previous editions treated the Currency Act of 1816 as having purposely intended to establish permanently Lord Liverpool's views in favour of the adoption of the Gold Standard. This is now disputed by Mr. Delmar and other writers. An article in the 'Bankers' Magazine' for May 1895 refers to a clause in the Act of 1816 providing that, after a day to be fixed by Proclamation, any person would be allowed to bring silver to be coined in any quantity, subject to four shillings being retained at the mint out of every pound weight as a mint charge, and the above authorities evidently consider the clause to have been intended to provide for silver again being coined as a standard jointly with gold.

Writing in the year 1880, I said of the Act of 1816: 'It was, doubtless, at that time expedient for gold, rather than silver, to be coined; but nevertheless the mint should have been allowed the right of purchasing silver for coinage whenever it could do so at a fair profit; as, in fact, it could do at present.'[1]

It appears, according to the opinion of the 'Bankers' Magazine,' that Act did, in fact, contain such a clause as I have always contended ought to have been inserted in it; and, if so, it is not Sir Robert Peel, with the second Lord Liverpool and their colleagues, in 1816, but Mr. Robert Lowe and his colleagues, in 1870, who are responsible for the unprincipled and unjust substitution of the Gold Sovereign for the Pound Sterling. But

[1] See p 156.

although the Act of 1816 clearly provides for the re-opening of the mint at any moment to all comers for the unlimited coinage of silver, it does not expressly provide for the unlimited legal tender of the coin. It authorises the mint to be opened for any quantity of silver to be coined into 'current silver coins of this Kingdom,' but the unlimited legal tender of these current silver coins seems to be overridden by the clause which confers that privilege on gold only. Whatever its force, the clause ought, however, to have been allowed to stand for whatever the course of events might make it worth. The point is given importance by the Duke of Wellington's views, which I alluded to in the preface to the sixth edition of this book.

The Duke of Wellington's expressed desire 'to revert to the ancient practice of this country by making silver as well as gold a legal tender for large sums' was alluded to by me as showing that he had in view the repealing of Sir Robert Peel's Act of 1816. It now appears, however, to be considered by the foregoing authorities that the repeal of that Act was not wanted for his purpose. All that was necessary, according to their view of the intention of the Act, was for the Crown to re-open the mint to silver by Royal Proclamation under the clause contained in the Act for that purpose, which continued in force until the year 1870. Though it might be urged by opponents that the right to re-open to unlimited coinage did not imply the unlimited legal tender of the coinage, nevertheless, if supported by

good reasons for re-opening the mint, the Government of the day could well have relied on getting a Bill of Indemnity for re-opening under a decree of unlimited coinage and tender. Such a decree could better have been issued in 1873, supported by the views above recorded of Wellington, the intimate colleague of Peel, with the above-mentioned clause of the Act of 1816 in force than after its cancellation. By tampering with that clause Mr. Lowe and his colleagues tied the hands of future Governments against acting in the emergency for which Sir Robert Peel appears to have perhaps intended expressly to provide.

I have, on page 35, pointed out that Lord Liverpool made the mistake of supposing that if any charge were made by the mint for the cost of coining, the weight of the coins would have to be diminished to pay the charge. And this is, in fact, the manner in which the Act of 1816 orders the charge to be made, in case of the mint being re-opened to the public for the unlimited coinage of silver. I have commented on this as one of the subordinate errors of Lord Liverpool showing that he had no true grasp of the principles involved in this currency question. It was quite right that coins of reduced weight should be given to cover the mint charge on coins limited to use as small change, but I contend that on unlimited coinage for full legal tender the mint charge ought properly to be collected by giving a reduced number of coins of full weight. If 4*s*., 10*s*., 20*s*., or 30*s*. is to be retained by the mint as a charge for each

pound weight of silver coined, this should be collected by returning to the person who presents the silver for coinage only 58*s.*, 52*s.*, 42*s.*, or 32*s.* in coins of full weight. No change in the weight of the coin is necessary for the purpose of making the mint charge.

No doubt the second Lord Liverpool, who was Prime Minister when the Currency Act of 1816, then known as 'Peel's Act,' was passed, may have desired to establish permanently the views expressed in the letter addressed by the first Lord Liverpool to the King, in favour of the Sole Gold Standard and free coinage of unlimited legal tender coins. But a compromise appears to have been effected on both points by leaving it to the Crown to re-open the mint at any time for the unlimited coinage of silver, and by ordering a mint charge to be collected on any such unlimited coinage, as urgently advocated some time previously by Adam Smith, whose views were disregarded by the first Lord Liverpool. Though Adam Smith advocated a charge, I do not know that he ever discussed the form in which it ought to be collected.

As regards the Act of 1870, the fact seems to be that Mr. Lowe, afterwards Lord Sherbrooke, in drafting that Act, was probably acting deliberately on the suggestion of the Paris Conference of 1867, and it may be that the great majority of the Lords and Commons did not understand what was being effected by the Act, and that her Majesty signed away one of her royal prerogatives entrusted to the Crown for the purpose of

preventing the creation of unjust effects, which it was certainly foreseen might result under the Act of 1816 if kept in force.

Be this, however, as it may, the fact remains that even if King, Lords, and Commons all thoroughly understood the import of the Currency Acts of 1816 and 1870, they were carried at the instigation of the first Lord Liverpool, who considered that the constitutional prerogative of the Crown entitled King George to close the mint against silver without intervention of Parliament; and if such prerogative was then valid for that purpose, it is obviously still valid for the purpose of re-opening the mint to silver. And also, if Parliament was rightfully entitled to close the mint against silver, either in 1816 or in 1870, it has the same right now to re-open the mint to silver.

The Currency Act passed by the British Parliament in 1870 was followed by an Act to the same effect in the United States in 1873, around which a stormy discussion has recently been waged, and in which we have not yet heard the last word.

The *Economist* of October 31 says of that Act: 'It is perfectly true that the Act of 1873 demonetised silver . . . but Congress merely put in legal form the previous action of the people. In other words, silver had, through natural causes, dropped out of circulation.'

The whole question at issue between the monometallists and the advocates of the Double Standard may be summed up in the question as to whether the

Economist is right or wrong in asserting that silver had dropped out of circulation in 1873 through '*natural causes.*'

The facts of the case are that whilst the United States mint had been open to silver and gold at the ratio of 16 to 1, the French mint was, at the same time, open to them at the ratio of 15½ to 1.

Those relative rates made the French mint the better market for silver and the United States mint the better market for gold. The metals were, therefore, each taken to the mint which was relatively the best market for it.

It was thus the action of arbitrary laws in France and the United States respectively which made the United States relatively a better market for gold than for silver. If the United States law had made the ratio 15 to 1, that country would then have been the better market for silver, and the money in circulation would have become chiefly silver. Besides this, as shown in Chapter I. of this book, though silver had dropped *out of circulation*, it had not dropped *out of the standard.*

By the Act of 1873 the United States Congress changed all current contracts from the Double Standard to a Gold Standard valuation, thus creating an artificial demand for gold which has gradually enhanced its value until the gold dollar has become worth double the value of the discarded silver dollar. That same artificial demand is still in action, and may gradually treble or quadruple the value of the gold dollar, to the benefit of

some persons, to the detriment of other persons, and to the confusion of all industrial enterprise.[1]

An epoch-marking event which has occurred in the financial history of the world since the last edition of this book was issued is the abolition of the Silver Standard in India. The Government rupee, which has been substituted for silver as the Indian Standard of Value, differs at this moment from the Silver Standard valuation, giving a standard unit worth more than the unit of the discarded Silver Standard. An article in the Appendix to this edition comments on this matter. I will not here do more than call attention to the fact that one of the most important battle grounds between bimetallists and monometallists in the present campaign as regards theoretical discussion has been the quantitative theory. There is no bimetallist who is not an adherent of that theory, which has been argued against by the leading writers among the monometallists in complete forgetfulness or in despite of the writings of men who have gone to their graves after establishing for us the science of political economy. But whilst in argument opposing the quantitative theory, the monometallic party have utilised it in practice for their purposes in the Indian Empire, in a manner which has had no parallel in history since the Emperor Helio-

[1] 'President Grant, who signed the Act which demonetised silver in 1873, did not know six months later that any such legislation was even yet on the statute books. Having made the discovery, the President denounced the Act to the late Senator Beck, of Kentucky, as "a fraud."'—Moreton Frewen, *National Review*, p. 403, November 1896.

gabalus undermined the power of the Roman Empire by tampering with the standard of value for the purpose of enhancing the purchasing power of the money received for taxes. I say no parallel in history, because it was avowedly done for the purpose of making the money received for taxes, and stipulated to be paid away out of those taxes, worth more than under the discarded standard, whereas the legislation in England, Germany, France, and the United States in the years 1870 to 1873 was the practical application of the advice of the Paris Conference of 1867, for the avowed purpose of bringing about a unification of coinage, and the warning voices, pointing out that such legislation would cause a continuous appreciation of the standard of value, were disregarded on the avowed plea of their being expressions of erroneous theory.

This tampering with the standard for the purpose of enhancing its value is more dangerous and mischievous than depreciation.

Mr. Bryan has really understated his case when he says that the appreciation of the dollar is as unjust as its depreciation. This is quite true as far as it goes. McCulloch says: 'Equal injustice is always done to the poorest and not least numerous class of society, by increasing the value of money, that is done to the wealthier class by its depression.'[1] But it must be borne in mind that a depreciating currency is often an indirect form of taxation which tends to reduce the necessity for

[1] See reference in the Index.

direct taxation, and also the stimulus to trade and industry it creates brings recruits into the ranks of the taxpayers to share the current burdens of the national expenditure. The wealthy may, and in fact do, therefore, sometimes gain even more than they lose by the depreciation of money. Among the brightest emanations from the genius of David Hume are the words in which he says that under a currency increasing in volume more rapidly than commodities: 'Labour and industry gain life, the merchant becomes more enterprising, the manufacturer more diligent and skilful, and even the farmer follows his plough with greater alacrity and attention.'[1]

Perfect steadiness in the value of the standard is not attainable; the best that can be done is to leave the rise and fall of prices to alternately encourage and discourage mining for the standard metals. It is widely acknowledged that a tendency to excess in the production of those metals better suits the general interests of trade, industry, and agriculture than scarcity of supply; bimetallists, however, have never had that object in view, but opened the present campaign, in opposition to the Paris Conference of 1867, for the purpose of preventing the disastrous appreciation of gold which they foresaw and foretold would result from the attempt to carry out the suggestions of that Conference.[2]

The main point is really summed up in Mr. Bryan's words in his first speech at Chicago:

[1] and [2] See references in the Index.

'You come and tell us that the great cities are in favour of the Gold Standard. I tell you that the great cities rest upon these broad and fertile prairies. Burn down your cities and leave us our farms, and your cities will spring up again as if by magic; but destroy our farms, and the grass will grow in every city in this country.

'You come before us and tell us that we shall disturb your business interests. We reply that you have disturbed our business interests by your course.

'Our war is not a war of conquest. We are fighting in defence of our homes, our families, and posterity.'[1]

[1] *W. J. Bryan's Speech in Full*, pp. 2, 3, and 7; Fry Brothers, 59 Broad Quay, Bristol.

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PREFACE

TO

THE SIXTH EDITION, 1889.

THE final Report of the 'Royal Commission on Gold and Silver,' which has appeared since the publication of the Fifth Edition of this work, gives to the standard of value a victory of its own, independent of the relative merits of the gold, the silver, or the double standard.

A hundred years of argument against the use of the term standard of value may be said to have been brought to a climax by the attack made against it in the interests of the gold party in the second Report of the Royal Commission, to which I replied in the preface to my Fifth Edition ; but throughout the Royal Commission's final Report the phraseology of both parties acknowledges the fact of the existence of a standard of value in such a manner that the correctness of the term may, I think, be now considered to be more firmly established than it has ever been before.

Though one-half only of the Royal Commission have declared absolutely in favour of bimetallism, the other half have more or less abandoned the old lines on which the gold standard has hitherto been defended.

The two points of importance round which they now appear chiefly to rally are the old story of a deluge of silver being ready to be poured from the mines on the reopening of the European

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mints for its coinage, and the argument, arrived at only through a partial surrender to the arguments of bimetallists, that the long-continued low range of prices gives to this country a larger return on its foreign loans. The Index headings, *Deluge of Silver*, and *Creditor Nation*, indicate respectively the parts of this volume in which those two points are discussed. As regards the latter point, it will be seen that I endeavour to point out that the increased value of income reaped by the money-lending classes is gained at the cost of a very much heavier loss to the industrial, trading, and agricultural classes throughout the country. And, as regards the first point, it is not always sufficiently remembered that even ten times more than the previous average supply of silver would have to be continued for a long series of years before it could make any great impression on the accumulated supply of more than two thousand years.

Victor on Assaye's eastern plain,
Victor on all the fields of Spain,
Unconquered Wellington,

has just been marshalled into the ranks of bimetallists by the Earl of Stanhope.

It appears from the 'Notes of Conversations with the Duke 'of Wellington,' just published by Earl Stanhope, that the Duke repeatedly expressed his opinion to the effect that it was desirable 'to revert to the ancient practice of this country . . . . 'by making silver as well as gold a legal tender for large sums.'

The subject had engaged the Duke's attention on the morning of the day on which he was struck down by the attack from which he never recovered.

And why should the Duke have kept this subject so frequently before him? Was it only that acquaintance with the writings of David Hume and Archibald Alison led him indirectly to the reflection that it was not right that the pound sterling, which had been supplied to support his achievements, should be charged on the country as gold sovereigns by an arbitrary piece of legislation unguided by any shadow of financial principle? Or was it, perhaps, that Sir Robert Peel's qualms of

conscience were more clearly expressed in private conversation with the Duke than in his public exclamation, 'What is a 'pound?'

The manner in which the Duke appears to have kept the subject constantly in mind makes it more evident than before that Sir Robert Peel had realised the fact that in guiding Parliamentary legislation in 1816 he had been misled by the writings of Earl Liverpool into a course which would sooner or later, if unrepealed, work mischief. It, at any rate, appears that the Duke of Wellington was at the time of his death bent on repealing Sir Robert Peel's Act of 1816. And there does not appear any shadow of an idea of treating the matter as an inter national question. He would, in fact, evidently have treated it as merely a home question.

The reason why the present leaders of bimetallism are endeavouring to make it an international rather than a home question is due to the circumstances under which the mischief, apparently in some measure foreseen by Peel and Wellington, chanced recently to be made effective. It was the International Congress held in Paris for the simplification of coinage that brought about the disorganisation of the double standard, and the present leaders on the question imbibed their first knowledge of it from international currency congresses.

There are no bimetallists who will not agree that it is better to re-establish the double standard by international legislation than not to re-establish it at all. I contend merely that by international legislation unnecessary complications and dangers are created outside the question of purely financial theory, which are not compensated by the firmer basis theoretically gained. And besides this, in making our action dependent on international agreement, we are indeed removing the bandage from the eyes of justice, as I have fully pointed out.

25 JERMYN STREET, W.: *January* 12, 1889.

PREFACE

TO

THE FIFTH EDITION, 1888.

I.

In the Preface to the Second Edition of this work I alluded to the manner in which the First Edition had been treated as an attempt to revive a defunct controversy. That 'defunct 'controversy' has, however, since the issue of the Fourth Edition, formed the subject of a Royal Commission, who have, in two Reports, published the evidence submitted to them, but have not yet published their final Report giving their judgment on that evidence.

The most elaborate Paper against Bimetallism submitted to the Commission is that by Mr. H. D. Macleod, who says: 'In the first place it may be remarked that there is not, and 'there cannot be by the nature of things, a standard of value.'

And further: 'All economists acknowledge that credit has 'exactly the same effect on prices as money.

'Bank-notes, bills of exchange, and banking credits, pay- 'able in gold, have exactly the same effects as an equal amount 'of gold.'[1]

Mr. Macleod afterwards alludes to some of Adam Smith's arguments as having 'given rise to all the attempts to discover

[1] *Report of the Royal Commission on Gold and Silver*, 1888, p. 226.

'an invariable standard of value: and, indeed, to the idea that 'there can be such a thing at all.'[1]

The use of the term *standard of value* was explained in the First Edition of this work,[2] but in reply to the above strictures it is perhaps expedient more fully to point out that it is mere matter of fact that leading writers on the subject have been quite conscious that all standards of value necessarily themselves fluctuate in value under the laws of supply and demand, in the same manner as the commodities whose relative values are estimated or measured by them.[3]

Mr. Macleod says: 'We may measure a tree with a yard, 'or a hogshead with a gallon, because they are each of them 'single quantities; but value is a ratio, and it is impossible to 'say

$$a : b : x.$$

'It is manifestly absurd to say that four is to five as eight.'[4]

Whether impossible, absurd, or merely incomplete, such a limited formula is not used in referring to a standard of value, or indeed in reference to any standard. To arrive at the relative values of an ox and a sheep, or, in other words, the ratio which the value of the ox bears to that of the sheep, the prices, or values in money, are referred to as a convenient stepping-stone; and the market values being 20*l.* and 4*l.* respectively, the formula stands:—

$$a : b : 20x : 4x.$$

The fact that the value of x fluctuates does not prevent its being used as a standard to arrive at the relative values of a and b. If gold doubled in value, then the statement would be:—

$$a : b : 10x : 2x,$$

giving exactly the same result.[5]

[1] *Report of the Royal Commission on Gold and Silver*, 1888, p. 239.

[2] See Appendix, heading, *Standard of Value*.

[3] 'Gold and Silver, like every other commodity, vary in their value, are sometimes cheaper and sometimes dearer, sometimes of easier and sometimes of more difficult purchase.' *Adam Smith*, *Wealth of Nations*, vol. i. p. 47. London: 1802.

[4] *Report of the Royal Commission on Gold and Silver*, 1888, p. 240.

[5] 'On account of the variation in the value of gold and silver, the

Discussions have for ages been directed to the question of deciding as to what practically available standard might be least liable to fluctuations; and the meaning of the term as used by such writers may be illustrated by a further reference to Mr. Macleod, who says :—

'In the times of the Homeric poems there was no money. '. . . It was usual to estimate things as being worth so many 'oxen. This reference to oxen, however, as a measure of value, 'did not in any way imply the use or existence of money.'[1]

In such case, then, in those Homeric times, oxen were, in fact, the standard by which the relative values of commodities were measured, just as gold is now the standard by which values are measured in England. Gold in the aggregate is our standard of value; the rate of eleven parts of fine gold to one of alloy is the standard of our coinage; and the sovereign, containing 123¼ grains of standard gold, is our standard unit, or measure of value. We cannot measure directly with the whole mass of gold which forms the standard of value, but with the coin which is a fraction of that mass. Those writers who deny the existence of any standard of value are in fact quarrelling with the most ordinary use of a common English word without on that point having necessarily, in economic doctrine, any intrinsic difference of opinion from their opponents.

I now pass on to the statement that bank-notes, bills of exchange, and banking credits, payable in gold, have exactly the same effects as an equal amount of gold. As regards this point Mr. Macleod agrees with the rough general principle, which forms an important part of the basis of the argument of bimetallists, to the effect that if gold were the sole circulating medium, prices of commodities would vary directly as the quantity of gold; or, in his words, if gold became as plentiful as silver, 'even while the weight of the coins and their quality 'remained the same, gold would fall to the fifteenth part of its

same nominal price is sometimes of very different values.' *Adam Smith, Wealth of Nations*, vol. i. p. 49. London: 1802.

[1] *Report of the Royal Commission on Gold and Silver*, 1888, p. 232.

'former value as a purchasing power.' But then Mr. Macleod says that, besides silver and copper, 'in modern times a new 'kind of stuff has been employed to a gigantic extent to fill the 'channel of circulation, and that is credit, or rights of action 'in different forms.' In this manner he estimates the circulating medium in this country alone as 6,120,000,000*l.* sterling—the round amount of 6,000,000,000*l.* being credit, and the fraction, 120,000,000*l.*, specie.[1] And he says, 'the prices of commodities are estimated according to the aggregate of all these 'different kinds of stuff, and not according to any single one.'[2] What is completely overlooked in this opinion, which Mr. Macleod says is entertained by all economists, is the fact that the value of every pound in the 6,000,000,000*l.* of stuff forming that part of the circulating medium which is not specie is measured by the value of the 120,000,000*l.* of specie. The organisation of credit eases the demand on specie, but nevertheless the value of a bill of exchange for 100*l.* depends on the value of the specie in which it is payable. If a diminished supply or an increased demand for gold increases the value of the pound sterling, which is the standard measure of value, then the bill of exchange for 100*l.* becomes increased in value, and *vice versâ*. Thus the range of prices, and with it the nominal amount of transactions, whether credit or cash, tends to vary directly as the amount of gold in circulation. The intrinsic value of the commodities and transactions may remain the same, but if the gold be doubled in value, then the nominal amount of transactions measured by the gold standard is proportionately reduced, for a bill of exchange or a bank cheque for 100*l.* will then represent the same value of merchandise as would otherwise require a bill or a cheque for 200*l.* The prices of commodities and the sum of credit stuff acting as circulating medium throughout the country are alike dependent on the value of gold which is the standard by which their values are measured.

[1] *Report of the Royal Commission on Gold and Silver*, 1888, p. 245.
[2] *Ibid.* p. 234.

The question as to the extent to which the demand for gold is diminished by credit is not necessarily involved at all in the discussion of bimetallism, though certainly of indirect interest in the subject. The chief effect of credit has almost obviously been the rendering possible such an increased number of transactions as it would have been physically impossible to conduct without the use of credit; and it seems to be a fairly open question as to whether the increased demand for specie currency to serve as a basis for that increased amount of transactions is greater or less than any possible restriction of demand effected by avoiding as far as possible the trouble of paying in coin.[1]

[1] Mill, after arguing that 'What does act on prices is credit, in what-'ever shape given,'* says: 'The credit given to anyone by those with 'whom he deals does not depend on the quantity of bank-notes or coin 'in circulation at any time, but on their opinion of his solvency.'† It is certainly quite true that the intrinsic value of the credit given does not depend on the quantity of bank-notes or coin in circulation; but, on the other hand, it is just as certain not only that the nominal amount or money value of the credit must depend on the quantity of bank-notes or coin in circulation, but also that the value represented by such bank-notes must depend on the proportion the bank-notes bear to the coin. And therefore not only the value of a credit for 1,000*l.*, but also the value of 1,000*l.* in bank-notes, both depend on the value of the coin in which the notes are payable. If gold double in value, then 500*l.* in notes and 500*l.* in credit will serve for transactions which would otherwise have required 1,000*l.* in notes and 1,000*l.* in credit. John Stuart Mill's right mind as regards the effect of credit on prices is shown in the following passage: 'Having 'formed a general idea of the modes in which credit is made available as 'a substitute for money, *we have to consider in what manner the use of 'these substitutes affects the value of money, or, what is equivalent, the 'prices of commodities. It is hardly necessary to say that the permanent 'value of money—the natural and average prices of commodities—are not 'in question here. These are determined by the cost of producing or of 'obtaining the precious metals.*'‡

It is dangerous to launch the theory of Mill on credit without the ballast I have placed in italics, which shows that his views on that subject have really nothing to do with the question of bimetallism, but ought

* *Principles of Political Economy*, by John Stuart Mill, vol. ii. p. 52, 6th edit. (Longmans, 1865). † *Ibid.* p. 73. ‡ *Ibid.* p. 51.

The true question is as to the expediency of legislating in such a manner as either to increase or diminish the supply of specie currency. Gold and silver are valuable commodities which have, rightly or wrongly, been selected as standards by which to estimate or measure the relative values of all other commodities, whereas the so-called credit circulation merely represents the value of commodities in negotiation, and must fluctuate with the fluctuation of the prices of those commodities as measured by the gold, or the silver, or the double standard of value. A thousand tons of coal, and also a thousand gold sovereigns paid for the coal, are both real wealth or intrinsic values; whereas a bill of exchange drawn against the coal, or a bank cheque drawn to pay for it, are merely representatives of wealth or value, without intrinsic value of their own, and are, together with the price of the coal, measured by the gold standard of value. Mr. Macleod considers it absurd to distinguish between 1,000*l.* in gold coin and a bill of exchange for 1,000*l.* as being, the one 'intrinsic value,' and the other 'only the representative of value';[1] but his statement that 'land, cattle, timber, trees, bank-notes, bills of 'exchange, &c., have value,'[2] makes the bills of exchange current in the country part of the country's wealth as well as the commodities they represent!

II.

Lord Addington, premising that 'the appreciation of gold 'implies its scarcity,' insists, notwithstanding numerous statements and explanations to the contrary, 'it necessarily ensues 'upon a scarcity of gold, that it commands, as capital and as

rather to be applied merely to speculative inflations of prices and resulting depressions. I should not, however, like to venture on the task of proving that Mill is not at variance with himself on that point.

[1] *Report of the Royal Commission on Gold and Silver*, 1888, p. 240.

[2] *Ibid.* p. 241.

'currency, a higher rate of interest in use, a larger quantity of 'commodities in exchange.'[1]

That the gold when appreciated in value should command a larger quantity of commodities seems natural enough, presuming of course that those commodities have not also appreciated in value; but as regards the interest, seeing that interest on a gold loan is also gold, it appreciates with the appreciation of the money, and therefore there is not the same reason for the money to command a higher rate of interest as there is for it to command a larger quantity of commodities. If we suppose an increased demand to double the value of gold, then a bill of exchange for 100*l.* will represent an amount of merchandise which would otherwise have required a bill for 200*l.*; and the 5*l.* paid for interest on the 100*l.* will represent the same value as the 10*l.* which would have been paid for interest on the 200*l.* The gold offering as interest on loans is affected by the same scarcity as the gold offering in the loans themselves. The value of the interest on 100*l.* fluctuates with the value of the 100*l.* itself without any change in the rate of interest.

Not only is there, for the foregoing reason, no direct tendency for a scarcity or an appreciation of gold to cause a rise in the market rate of interest, but, on the other hand, such scarcity has an indirect tendency to cause a fall in the rate of interest. This is so because the disorganisation of trade and industries, caused by falling prices for commodities, whilst the gold amounts payable for rents, wages, and long loans remain unchanged, checks the investment of capital in industrial enterprises, and thus tends to create a plethora of loanable capital. Consols have recently been higher than they had ever been before, and I do not doubt that the present currency discussion

[1] *Report of the Royal Commission on Gold and Silver*, 1888, p. 212. Mr. Robert Barclay Chapman, at a meeting on the Silver Question, held at the India Office, London, on November 12, 1881, replying to a suggestion that the enhancing value of gold would lead to very high rates of interest, said: 'Certainly, in my judgment, gold standard countries need 'not fear any crisis from a deficiency of gold, for the smaller quantity will 'represent higher value.'

will lead to its being clearly recognised that the phenomenon has been due partly to the above effect of the appreciation of gold, in sweeping away profits from industrial pursuits, and thus driving large amounts of capital to seek new investments; and partly to the fact that there has for some years past been abnormal prosperity among those classes who have their capital invested in Consols and other fixed incomes, and they doubtless tend to some extent to reinvest their savings in the same securities. The above-mentioned disastrous effects of the appreciation of gold in curtailing profits in commercial, industrial, and agricultural pursuits may, however, perhaps, be admitted to be the principal cause by far of the unprecedented rise in the price of Consols.

Lord Addington and others of his opinion have been fairly answered in the evidence given before the Royal Commission as regards their contention that the recently prevailing low rates of interest prove that there is no scarcity or appreciation of gold.[1] I now pass, however, to a point on which the arguments and questions of the monometallists have not been clearly answered by the bimetallists. I allude to the question of the international flux of gold and silver resulting from the changes in their relative values. To show the point at issue I take the following:—

'*Mr. Birch.* But how do you imagine that that gold would 'have come? Gold does not pour down upon us; how would 'it have come?

'*Mr. J. Barr Robertson.* It would have come in through 'the Bank of England.

[1] 'How could an appreciation or depreciation of the currency affect the 'rate of interest on money, the money and the interest on it being equally 'the subject of such appreciation or depreciation? Four per cent. is always 'four per cent., and if 100*l.* is worth more than it was before, 4*l.* will 'also be worth equally as much more than it was before.'—*Sir Louis Mallet, Royal Commission on Gold and Silver*, 1888, question 6891.

'Are you aware that Mill holds that there is no necessary connection 'between the quantity or value of money in circulation and the rate of 'interest?'—*Mr. David Miller Barbour, ibid.* question 6893.

'*Mr. Birch.* How would it have come at any period? 'People would not have sent us gold for nothing; you say we 'ought to have had it, but surely we ought not to have had it, 'unless we sent goods or something, commodities to represent it?

'*Mr. J. Barr Robertson.* That is perfectly true, but 'commodities will go to represent it.'[1]

This latter answer is in keeping with all the answers given, as far as I have seen, by the bimetallists to the arguments of the monometallists on this point, and it involves the abandonment of the foundations on which the position or argument of bimetallists is based, for our contention is that gold and silver naturally find their level under the laws of supply and demand. A change in the relative value of gold and silver disturbs the pre-existing level. A fall in the value of silver or a rise in the value of gold creates a relative redundancy of currency in countries where there may be more gold than silver, and a relative deficiency of currency in countries where silver is the principal currency, and there consequently results an efflux of specie from the one set of countries and an influx of specie to the other set of countries, simply to restore the level, and without any increased intrinsic value or quantity of commodities going to represent it. The silver country has thrust upon it an extra amount of capital, which is not a mere nominal increase of capital, but an absolute increase, both in nominal and in intrinsic value, of capital in hard specie, for the encouragement of industrial and agricultural pursuits. Of course I do not contend that this level-restoring action is immediate. On the contrary, it is not only a slow, but also a laborious, and indeed a smarting, process for countries subjected to the depletory process. As regards the recent position of India, the fact that that country owes a large gold debt in London must have tended to prevent or check the flow of specie which would otherwise have gone to India; for by the rise in the value of gold a legerdemain increase of 20 to 40 per cent. was

[1] *Report of the Royal Commission on Gold and Silver*, 1888, questions 6131 and 6132.

added to the amount payable annually by the taxpayers in India to the London money-lenders; and of course if this debt had been sufficiently large it might have completely turned the scale and have impoverished India. But that, notwithstanding this extra drain on the resources of India to pay the interest on their gold debt, India has on the whole been a gainer by a transfer of wealth from the wealth-producing—that is, the commercial, industrial, and agricultural—classes in gold currency countries, is indicated by many items of evidence laid before the Royal Commission.

Mr. J. C. Fielden says, alluding to the cotton-spinning industry of Lancashire: 'The valleys running through Rossen-'dale, Todmorden, and Hebden Bridge have, with rare excep-'tions, been practically ruined, so far as capital is concerned, 'and in addition, the want of employment has been most 'severely felt during the last twelve years throughout these dis-'tricts. In fact it is as if a simoom had swept over those 'valleys. You can see mill after mill with the roof off, never 'having been turned round for years; and as to the state of 'the operatives, there are some of the finest operatives in the 'kingdom in these valleys; they have had to disperse portions 'of their families in all directions.'[1]

It is mere matter of fact that the industry thus crushed in Lancashire grew and flourished in India concomitantly with its destruction in Lancashire. And as to the cause of this, the opinion of Mr. Fielden is at least very clear and decided; he says:—

'The Government managed to half-destroy the trade with 'the Indian import duty, and we thought, when we were getting 'the Indian import duty off, we were likely to get our trade 'back again; but unfortunately, the silver difficulty gave three 'times as much protection to the Bombay mills.'[2]

Another report regarding coarse cotton weaving is to much the same effect as the foregoing; and concludes with the

[1] *Report of the Royal Commission on Gold and Silver*, 1888, question 7654.
[2] *Ibid.* question 7661.

remark: 'I do not think it is necessary to read any more of 'the letter, in which he tells distinctly that it is nothing but the 'silver question that has prevented the conduct of that business.'[1]

The foregoing is merely an example of the manner in which wealth is transferred from the gold to the silver country. The capitalist may either *take* his money from the gold to the silver country, and so make immediately an absolute transfer; or he may *send* it on loan, and continue to receive for it, if successfully employed at first, a fair return; but its use there slowly creates profits and wealth in the silver country which would otherwise be created in the gold country; or if such profits are not made, the capital is lost to the original owner in the gold country. Thus, either by profits on the capital or by forfeiture of the capital itself, the currency level is restored. The best immediate prospects of a fair return for the use of money being in the silver country, the money goes there, and may or may not change owners according as it may be successfully invested or otherwise. The rise in the value of the gold currency having hampered industrial and agricultural pursuits in the gold country, as pointed out throughout this volume, the money goes to the silver country, where it has fair play in that respect, notwithstanding that but for the disturbance of the currency the gold country might really be the best market for its employment. New Zealand, Australia, Canada, and the United Kingdom itself, have in this respect been placed artificially, by our own legislation in 1816, at great disadvantage, to the equally great advantage of India and some other countries.

III.

Mr. William Fowler says:—

'We do not want any more money. We have too much 'money; we have got a standard which has proved itself,

[1] *Report of the Royal Commission on Gold and Silver*, 1888, question 7673.

'certainly, more stable than the silver standard has been, and I 'do not know why we should be asked, because of inconveni-'ence that comes to other countries, to enter on this arrange-'ment.'[1]

This argument of Mr. Fowler's contains two statements which may, I think, fairly be called mistakes as regards matters of fact. In the first place, the whole tenor of the present work shows that the Double Standard is demanded in the interests of this country and not for the convenience of other countries; and secondly, an overwhelming weight of evidence given before the Royal Commission shows that the present currency derangement is due, not to a change in the value of silver, but in that of gold. The silver, standard has been approximately stable since 1873, whereas the gold standard has enhanced in value since then 40 per cent., and promises, unless again brought under the control of the silver standard, to be the most erratic standard the world has known, not excepting Homer's oxen.[2] Mr. Fowler himself says further on, in replying to Mr. Barbour: 'It is obvious that one' (the gold or the silver standard) 'was liable to fluctuations to which the other 'was not liable.'[3] And he evidently treats the fluctuation of the price of silver since 1872 from 60½*d.* to less than 43*d.* as due to a depreciation of the silver standard; but, I repeat that the evidence, which I have partly quoted further on,[4] shows the fluctuation to be due to a change in the value of the gold standard. It was not a fall of 30 per cent. in the value of silver, but a rise of more than 40 per cent. in the value of gold.[5]

[1] *Royal Commission on Gold and Silver*, 1888, question 8466.

[2] 'The question presents itself to this country, not so much as a great 'danger in respect of the future of silver, as with regard to gold.'—*Mr. Robert Barclay, Meeting on the Silver Question, held at the India Office, London, November* 12, 1881.

[3] Question 8524.

[4] See Index, *Appreciation of Gold.*

[5] The evidence submitted to the Royal Commission is further discussed in many of the footnotes added to this edition, where the text bears directly on the points at issue. *Note to the Fifth Edition*, 1888.

IV.

THE RATIO BETWEEN GOLD AND SILVER.

A Letter to the 'Times' and the 'Economist,' August 17, 1885.

A controversy is being conducted in the columns of the *Times* and of the *Economist* regarding the effect of the mint regulations in France before 1873 on the relative value of gold and silver. On the one hand, it is contended by monometallists that the fluctuations in the London quotations for silver show that the so-called Double Standard cannot be anything but an alternative standard. And, on the other hand, it seems to be apologetically suggested by bimetallists that abnormal circumstances prevented the French Double Standard from keeping the par value between gold and silver so steady as it might otherwise have been.

For the period between 1831 and 1873 the fluctuations in the London price of silver are given by both parties as about $58\frac{3}{4}$ to $62\frac{3}{4}$. As a matter of fact, during that same period gold doubloons were in some important exchange quotations subject to fluctuations between the prices of 64*s.* and 72*s.*, which is a wider fluctuation than that of the gold price of silver.

As only gold is unlimited legal tender in England, the price of silver in London is of necessity chiefly dependent on the requirements for it in the foreign exchanges; and, therefore, before discussing the possibility of any law being able to prevent such fluctuations of the London gold price for silver, precedence might be given to a discussion as to the means of preventing any fluctuations of the gold price for gold in those exchanges.

The fact is, that whilst the mint regulations in question were in force in France they kept the par value of silver in relation to gold fixed at $15\frac{1}{2}$ to 1 with just as close an approach to mathematical accuracy as that with which that mint keeps

the value of each grain of gold in any two French gold coins the same, or with which the English mint keeps the par value of gold in any two sovereigns the same. In neither case is there mathematical accuracy, but the ratio of 15½ to 1 between silver and gold was maintained as accurately as the ratio of equality between gold coins.[1]

As this quasi-theoretical point is evidently regarded as of considerable importance in the discussion of the subject, which is now almost daily becoming more general, I hope you may find it worthy of your attention.

In travelling from Manchester to London in the year 1857, I got into conversation with a fellow-traveller, who must have been at least forty years my senior, and the conversation having turned on the foreign exchanges, I remarked that I had been puzzled by the fact that the exchanges between gold currency countries and silver currency countries fluctuated no more than those between any two gold currencies. As my companion seemed rather amused by the remark, I quickly told him that as far as my knowledge went the facts were so, and named several foreign exchanges in support of the assertion. He then, in very few words, explained to me the action of the French mint regulations as the simple and, when once understood, most obvious cause of the phenomenon. I mention this occurrence as a proof that though not at that time generally understood, the question was nevertheless clearly understood long before the term bimetallic was invented ; and that the question as to the facts of the case was not influenced by any theoretical considerations. It is, of course, admitted that there was at times in France a special demand for silver rather than gold, and *vice versâ* ; but the London quotations for silver show that the value of foreign silver coins, measured by the foreign exchanges in English gold, did not vary more than that of foreign gold coins by the

[1] As shown further on in the above letter, I did not dispute the existence of alternations of premium, but merely pointed out that the par value was absolute.

same measure. If two grains of gold, one in a sovereign and the other in a doubloon, fluctuated in relative value to the extent of 10 or 15 per cent., according to the requirements of the country in which they happened respectively to be, how can it be for a moment supposed possible that the French mint regulations could have made a grain of silver preserve a fixed ratio to both those grains of gold? All that the French law could do was to prevent the fluctuations between gold and silver coins from being greater than between silver coins themselves, or between gold coins themselves, and the quotations given prove that this was accomplished. The exchanges between silver and gold coins fluctuated about the ratio of $15\frac{1}{2}$ to 1, just as those between gold coins fluctuated about the ratio of equality, and that ratio of $15\frac{1}{2}$ to 1 was the absolute par for exchange arbitrations between silver and gold. The French money-dealers, in differences between French coins, always took the premium whichever way the market went, special demands enabling them at times to keep, perhaps, a grain of gold for each $15\frac{1}{4}$ grains of silver exported, or to keep $15\frac{3}{4}$ grains of silver for each grain of gold exported, they, as exchange-dealers for all comers, retaining the profit on each side of the par of $15\frac{1}{2}$ to 1;[1] but when Germany decided to take about 100,000,000*l.* of gold, the French financiers decided that it was too much to be exchanged, and the mint then refused to coin silver.

This question of fixing the ratio between gold and silver was first successfully managed by Sir Isaac Newton and his colleagues at the English mint, and their policy was abandoned in England only after it had been adopted in France, which latter country then, instead of England, regulated the par value of gold and silver until the year 1873.

[1] Such premiums in France, sometimes on silver and sometimes on gold, are mentioned by Mr. Barbour and Mr. Fowler in the evidence before the Royal Commission on Gold and Silver, 1888, questions 6825, 8415–8417.

V.

Besides the appointment of the Royal Commission already alluded to, another occurrence of importance since the issue of the last edition of this work has been the disappearance of the *International Monetary Standard Association* as the advocate for the free coinage of silver, and the appearance of the *Bimetallic League* in its place. This is an apparent step in the direction of adopting the course advocated in this work,[1] though that Association has not yet declared in favour of the question being dealt with by Parliament without entering into any international treaties on the subject.

Quicquid delirant reges, plectuntur Achivi.

LONDON: *March* 26, 1888.

[1] See the latter half of Chapter VI., and references under Index heading, *Practica Course.*

PREFACE

TO

THE THIRD EDITION, 1883.

I.

A VERY dangerous argument has been urged against the views contained in the following pages: not exactly to the effect that Parliament can do no wrong—for I do not suppose that any Englishman, however moderately acquainted with the history of his country and the characteristics of its constitutional government, or to whatever political party he may belong, could desire to have such an interpretation as that placed upon his arguments—but to the effect that Parliament can rightfully change the standard of value at its pleasure.

Such a doctrine ought to be rejected, not only on the high ground of its impropriety, but also on the lower ground of its impolicy and indiscretion.

If honour is to be respected by the governing powers of the world, it must be maintained that to borrow money under a given standard of value, and then to change that standard whilst the debt is current, is a breach of faith on the part of the Parliament or the Government by whom such acts may be accomplished, whether such change advantage the national debtor or the national creditor.

Taking a world-wide view of the case: the double standard of gold and silver was practically the standard of value

throughout the civilised world from time immemorial to the year 1873. All the enormous national debts now existing have been borrowed under that double standard; and for the Governments of the world to legislate in such a manner as to establish a gold standard instead of that double standard constitutes the most gigantic injustice towards the labouring classes, who are burdened with those debts, that has ever been recorded throughout the history of the world. And, taking a merely English view of the case, if Parliament, in 1816, had a right to decree the legal establishment of the gold standard just after our immense debt of 850,000,000*l.* had been borrowed under the legal establishment of the double standard, then a future Parliament, returned by the debtors, who number ten or twenty to one as compared with the creditors, will have an equal right to decree a legal establishment of a silver, a copper, or a paper standard, and thus make our debt of little value to the holders. For if Parliament has a right to change the standard in such a manner as to *increase* the value of the debt 20 per cent., then it also has a right to change the standard in such a manner as to *decrease* the value 20 per cent.; and if 20 per cent., then also 40 per cent., 80 per cent., or totally.

The only honourable excuse for the legislation inaugurated by England in 1816, and since followed by Germany and the United States, is to be found in the fact that political economists did not understand what the standard of value really was, as I have pointed out in the chapter on Lord Liverpool's oversight.

A remarkable feature of the case, which is not generally known, is the fact that, though it is by a decree of Parliament that the mint is at present restricted to the coinage of gold for unlimited legal tender, Parliament has not really any constitutional right to legislate on the subject, for the mint is constitutionally under the control of the Crown. It was for this, and other reasons mentioned in the following letter, I desired to dedicate the second edition of this book to the Heir Apparent to the Crown; and though established etiquette

prevented the acceptance of that dedication, I now publish the letter, as it explains the constitutional aspect of the question.

TO

HIS ROYAL HIGHNESS ALBERT EDWARD, PRINCE OF WALES.

May It Please Your Royal Highness,—

In the following pages I have pointed out that a letter addressed to King George III. by the first Earl of Liverpool was the prevailing influence which induced Parliament to abolish the Silver Standard, and to make the gold sovereign the sole representative of the Pound Sterling.

The Noble Earl, in the preamble of his letter, addresses the following words to His Gracious Majesty:

'It is a part of Your Royal Functions to attend to the state 'of the Coins of Your Realm, and to cause every defect to be 'removed, which mistaken policy has introduced, or the waste of 'time may have wrought in them. It is also, I well know, Your 'Majesty's earnest wish and inclination, on this and on every other 'occasion, to consult the convenience, and provide for the interests 'of Your People. For these reasons I have thought it my duty 'to address to Your Majesty a treatise, which has for its object to 'explain and elucidate the true principles of Coinage; to point 'out the errors committed in this respect under the authority of 'Your Royal Predecessors, and to suggest the best methods of pre-'venting such evils for the future.'

As what I will rather call an oversight than a mistake, made by the Earl of Liverpool in the reasons given for recommending the abolition of the Silver Standard, has not only begun to produce very pernicious effects throughout Her Majesty's Empire, and, to a lesser extent, throughout the civilised world, but has also become a source of injustice towards the great majority of Her Majesty's subjects, to the benefit of a few wealthy families; and as I am sure that Your Royal Highness is no less interested than

was His late Majesty King George III., in all that affects the welfare of the Empire and of mankind, I respectfully dedicate these pages to Your Royal Highness, in the hope of calling your attention to the oversight to which I have alluded, in the firm conviction that your perception of it will lead to the adoption of such measures as will effectually counteract its present evil effects and its prospective dangers. The nature of the subject will, I trust, sufficiently explain my preferring to address Your Royal Highness regarding it rather than Her Gracious Majesty, to whom it would otherwise be fitting that a reply to a letter addressed to one of Her Royal Predecessors should be dedicated. Notwithstanding her well-known wish and inclination to consult the convenience and provide for the interests of Her People, Her Majesty could not be expected to give the question that personal attention which I make bold to request from Your Royal Highness.

It is not merely because Parliament seems to have been led astray by Lord Liverpool on this question that I have made bold to dedicate to your Royal Highness the following arguments, nor do I now address them to Your Royal Highness with a view of inducing Her Majesty, by the mere exercise of Her Royal Prerogative, to reopen the Mint for the unlimited coinage of silver without the previous consent of Parliament; but, as the Constitution confers this power on the reigning Sovereign, who can constitutionally control the question without the intervention of Parliament, and has thus a special interest and responsibility in the due administration of justice, as various interests of Her Majesty's subjects are affected by the character of the coins issued by the Mint, it appears the most natural and reasonable course of procedure to address Your Royal Highness, in the hope that your appreciation of the question may lead to such an exercise of your own constitutional influence, as may hasten the Parliamentary legislation which the situation requires, without attempting to induce Her Majesty to have recourse to the exercise of Her Royal Prerogative; for I cannot doubt that Your Royal Highness would be among the last to advise Her Majesty to disregard the advice addressed by the Earl of Liverpool to King George III., to the effect that, though this great prerogative is unquestionable,

it is certainly advisable that in the exercise of it the King should avail himself of the wisdom and support of His Parliament, when, as at present, it must be assumed that a full discussion of the question must lead Parliament to acknowledge and to recommend a remedy for the injustice which has unwittingly been inflicted by a preceding Parliament.

I am convinced that the influence of the enhancement of the standard of value, in contributing to the fall of the Roman Empire, by making the rich more rich and the poor more poor, thus leading to reckless extravagance on the one hand and to the recklessness of despair on the other, has never hitherto been fully appreciated; and that the evil effects of the recent enhancement of the standard, together with the greater evils that may yet arise from it, have not been overestimated by Ernest Seyd, Cernuschi, Wolowski, or Laveleye.

That Her Majesty's councils may in this, as in all matters, be guided with such sound wisdom and discretion as may lead to a long continuance of the Form of Government under which it is the privilege of Her Majesty's Subjects to live, is the earnest desire of Your Royal Highness's

Obedient Servant,

WM. LEIGHTON JORDAN.

Buenos Ayres:
July 18, 1882.

II.

Together with Lord Sherbrooke, Mr. Arthur Crump is among the most determined opponents of the double standard. And, like Lord Sherbrooke, whose misunderstanding of the question I have pointed out as being similar to Lord Liverpool's, Mr. Crump expends a considerable amount of uncomplimentary denunciation on ideas which he imagines to be entertained by bimetallists, but which are really creations of his own or of Lord Sherbrooke's fancy. It is on this account that Mr. Crump is able conscientiously to attempt to taunt bimetallists

by asking, 'How is it that the bimetallic system has not 'enabled the bimetallic countries to absorb the silver that is 'now in superfluous supply?'[1]

Mr. Crump's misconception of the subject makes him blind to the fact that, in consequence of the example set by England in 1816, the bimetallic system ceased to exist in 1873; and that bimetallists are advocating a restoration of that system merely because *if restored* it would cause the existing supplies of silver to be beneficially absorbed at their former value.

Suppose a law were passed compelling the factories to limit themselves to the manufacture of woollen and linen articles, to the exclusion of cotton. The Liverpool merchants would find their market glutted with a 'superfluous supply' of cotton, and if they were then to inaugurate agitation for the purpose of inducing the Government to rescind the obnoxious law, on the plea that if the factories were again allowed to manufacture cotton articles the otherwise superfluous supply would quickly and usefully be absorbed in a manner beneficial to the community in general, though to a certain extent disastrous to the holders of wool and linen, who had been unfairly advantaged by the enactment of the law, then those advocates of the right to manufacture cotton would hold the same position in the market for articles of clothing as that which is now held by bimetallists in the money market; and if an Anti-Cotton Crump were to taunt those advocates of fair play for cotton by arguing that the low price of the article showed that nobody wanted their 'superfluous supply,' I should say that he had either rashly rushed into the discussion of the question without having acquainted himself with the antecedents which had given it a *raison d'être*, or else that he was a partisan of the holders of wool or linen, endeavouring to throw dust into the eyes of the public for the purpose of preventing them from perceiving that the closing of the factories against cotton enhanced the cost of all articles of clothing, and made even woollen blankets more scarce and

[1] *A Review of the Position and Prophecies of the Bimetallists*, by Arthur Crump, p. 55. Effingham Wilson, London, 1882.

dear than they would otherwise be ; because the demand for wool to made articles which would otherwise be made of cotton would give wool a higher value than it would otherwise have. The restriction on the supply of raw material for the manufacture of articles of clothing would be felt in the families in every cottage, reducing the comforts of their homes and their personal clothing, even though they might be left in ignorance of the fact that an arbitrary law was alone depriving them of the greater amount of comfort which they might otherwise possess. In precisely the same manner the closing of the mints against silver restricts the supply of metal available for the payment of the interest on the National Debt, and leaves less value in the hands of each labouring man than he would retain if the coin in which the law arbitrarily enforces payment of the interest on the debt had not been enhanced in value by the restriction of the coinage, caused by the law which has arbitrarily deprived all debtors of the right they held, under the original terms of the National Debt, to have both silver and gold, at their pleasure, manufactured into coin with which to pay the interest on the debt. Lord Sherbrooke and Mr. Crump ignore all this, and, instead of fairly facing the question, direct their efforts towards the disparagement of the intelligence of bimetallists, in a manner which might be allowable on the part of openly avowed special pleaders for the enhancement of the value of the property of the bondholders, bent on enabling the latter to extort as large a revenue as possible by all possible means from the wealth-producing labour of the country ; but, though that mode of dealing with the question might be allowable for avowed special pleaders, it is unworthy of those who pretend to speak as statesmen or political economists.

Just exactly as the reopening of the factories for cotton, under the circumstances above suggested, would at once restore the market value of that article, and at the same time bring down the price artificially given to wool and linen by the previous closing of the cotton factories, so also the reopening of the mints for the coinage of silver would restore the market value of that metal, and at the same time bring down the

enhanced value which has been arbitrarily given to gold by the closing of the mints against the coinage of silver.

Mr. Crump tells us that 'The best thing to do is for those 'who find it their interest to adopt bimetallism to get as many 'as they can to join them, and try what will be the result of 'opening their mints, first of all, to a limited coinage of silver. 'If the market price of the metal keeps up or improves, they 'can increase the amount.'[1]

Bimetallists will, however, I hope, have nothing more to do with any such palliatives; for, as a matter of principle, limitations of coinage have a tendency to defeat their own object, by causing the coinage of the maximum allowed by law, even though that might greatly exceed what would be offered for coinage in the absence of any arbitrary limit. Suppose, for instance, the mints to be open as formerly for the unlimited coinage of both silver and gold, and laws then to be passed restricting them from adding more than 10 per cent. to the existing amount of silver coin. The first effect of this would be that many who might otherwise have employed silver for other purposes would determine to get it coined whilst possible; and the nearer the approach to the limitation, the greater would be the desire to have silver turned into coin. Thus the first effect of the artificial limitation would be to increase the amount of silver coin; and then, as soon as the limit was reached, the value of silver in relation to gold would of necessity fall; for as gold alone would then command the right of coinage, it would command a premium on the ratio which existed when silver also commanded that right.

For these reasons, Mr. Crump's idea of the coinage of limited amounts of silver might cause ten times as much of his 'superfluous supply' to flow to the mint as would be taken there under an established system of unlimited coinage; and notwithstanding all that excessive coinage of silver, the right of coinage commanded by gold would give the latter a premium

[1] *A Review of the Position and Prophecies of the Bimetallists*, by Arthur Crump, p. 52. Effingham Wilson, London, 1882.

on whatever might be the established ratio for gold and silver at the mint.

Mr. Crump says : 'Unlike the large addition made to the 'gold in the world from 1848 onwards, the silver that now 'troubles us is an unprofitable superfluity. Nobody wants it. 'The gold was in demand, and was rapidly absorbed without 'any thought of such artificial aid as is proposed by which to 'get rid of the superfluous silver.'[1] This contains a serious misstatement as regards facts. The gold alluded to was *not* absorbed without such aid as is proposed now for the absorption of silver. All that is proposed is that the mints should be open for the absorption of the present supplies of silver, *exactly in the same manner* as they were kept open for the absorption of the large supplies of gold. It is the arbitrary closing of the mints against silver that has made it 'an unprofit-'able superfluity,' just in the same manner as the closing of the factories against cotton would make existing stocks of that article 'an unprofitable superfluity,' or just as the closing of the mints against gold in 1848 would have made the supply of that metal 'an unprofitable superfluity.'

The remarkable character of Mr. Crump's arguments may be illustrated by the following paragraph :—

'Bimetallism on that basis, viz. the gold standard with 'silver circulating below its market value, is really all that is 'wanted for countries which can afford to maintain a gold 'reserve against the issue of notes. Countries having a silver 'standard can likewise circulate silver coins below their market 'value for domestic use, and keep either a silver reserve or a 'mixed gold and silver reserve against their note issues—with 'only free mintage for gold.'[2]

Even supposing it were possible for Mr. Crump to explain how silver coins could be made to circulate 'below their market 'value,' or how a country could have a silver standard 'with

[1] *A Review of the Position and Prophecies of the Bimetallists*, by Arthur Crump, p. 55. Effingham Wilson, London, 1882.

[2] *Ibid.* p. 52.

'only free mintage for gold': even so, the fact would remain that the 'bimetallism' proposed by him would not be bimetallism at all; for it would not constitute a re-establishment of the double standard, which cannot exist without the mints being open for the unlimited coinage of both silver and gold; thus leaving it to the public (as was the case before 1873), and not to the capricious action of arbitrary laws (as has since been the case), to decide what amount of either metal to have coined, at a fixed ratio, and what to use for other purposes.

I cannot take leave of Mr. Crump's book without endorsing the following sentence: 'Whether we are right or wrong in our 'views, we claim for ourselves that with which we find no fault 'in others, viz. the right to speak out what we think.' And I hope that I have exercised that right with at least as much courtesy and moderation as Mr. Crump.

III.

I have carefully, and I might indeed say elaborately, pointed out that Lord Liverpool mistook *alternations of gold and silver circulation* for *alternations of the standard of value*: and that notwithstanding those alternations of currency gold and silver jointly formed the standard of value from time immemorial up to the year 1873. A leading journal, however, accuses me of not having 'been able to perceive that there 'never has been, and never in the nature of things can be, a 'permanent double standard, though there may be and have 'been alternative standards.'[1] Not only is it unfair to offer this as a reply to my arguments, inasmuch as it conveys the erroneous impression of my having written in ignorance of the controversy on the subject, but it also misrepresents the main point at issue; for I merely contend that the English mint ought to be open for the coinage of silver as well as for the coinage of gold, as formerly; and the question as to whether

[1] *The Daily News*, December 27, 1882.

the resulting standard of value would be such as should be termed an *alternative standard* or a *double standard* is quite a minor question. Besides this I have, as a question of theory, admitted that a legal restoration of the double standard might bring about a practical alternation from our present gold standard to a silver standard,[1] though it is a mere matter of fact that all the alternations of gold and silver currency in England before 1816 took place under a practical as well as a legal continuance of the double standard. And I have argued that, even if it were certain that the legal restoration of the double standard would result in a practical alternation from a gold to a silver standard, the legal restoration ought nevertheless to be effected, simply because the national debtor has a right to it. Such a prospect, which I have shown to have little possibility of practical realisation, would indeed make it all the more incumbent on the national debtor to assert his right to the legal restoration.

I contend that as the National Debt was borrowed under a certain standard of value established by law (which standard I call a double standard, though the *Daily News* and Lord Sherbrooke call it an alternative standard), that law ought not to have been tampered with in such a manner as to change the standard of value whilst the debt is current. Up to the year 1873 silver commanded the same right of coinage as gold, and the two metals jointly formed the standard of value; but now the National Debt is measured by the gold standard, and is thus made 20 per cent. heavier than it would be if measured by the standard under which the money was borrowed. I therefore contend that the English mint ought to be open for the coinage of silver on the same terms as for the coinage of gold as long as the National Debt remains unpaid. And I have endeavoured to show that Lord Liverpool was mistaken in supposing that the alternations of gold and silver currency in England constituted alternations of the standard of value whilst the English mint accepted whichever metal was offered

[1] See Index heading, *Silver Standard*.

for coinage ; but this latter is a question which does not affect the main point at issue, though his mistake on that question seems to have prevented him from perceiving the injustice which is done to those who have to bear the burden of the National Debt, by depriving the holders of silver of the right to have it made into coin at the English mint for unlimited legal tender.

IV.

To be quite clear as to what would constitute a practical alternation from a gold to a silver standard, or *vice versâ*, it may be observed that if before the recent closing of the mint in France against silver there had at one time been an established premium on gold, and at another time on silver in France, then there would in France have been a *practical* alternation of standard under the legal establishment of the double standard. I have, however, seen no record of any such alternate premiums. Such premiums, if they existed, must have been trivial, for the price of silver in London for more than forty years before 1873 did not vary more than the price of sterling gold bills of exchange on London in foreign markets, payable in gold in those markets.[1] And if such premiums did not exist, then the double standard prevailed practically as well as legally, notwithstanding the almost complete alternations of gold and silver circulation which occurred.

Though gold was once nominally at a high premium for a long time in England under the legal establishment of the

[1] See p. 19, where the fact of such small premiums having occurred is alluded to ; they were, however, much less than the fluctuations in the exchanges between gold coins, and therefore did not constitute any change in the standard of value. Alternations of special demand for one or the other metal resulting from the balance of trade being perhaps at times favourable, as regards France, with some gold standard country whilst adverse with some silver standard country, or the reverse, would naturally tend to create such premium, just as the foreign exchanges cause fluctuations in the gold price of silver in London.

double standard, that was a natural consequence of the abraded condition of the silver coins ; and it was not, strictly speaking, a premium on *gold*, but rather a premium on *coins* of full weight as compared with those of light weight, or, more strictly, a discount on *light coins*. The double standard valuation then prevailed in England both by law and practically.

It seems indisputable that before 1848 France was on the verge of a practical alternation to a silver standard under the double standard law ; and that if, instead of the great discoveries of gold soon afterwards made, there had been similar discoveries of silver, then the practical separation of the gold and silver standards of value, which actually occurred in 1873, would have occurred soon after 1848 ; and the question of the standard of value, would then immediately have become a practical one in England, instead of being postponed until after 1874 ; for the national debtor would then have had the same *practical* inducement as at present to assert his right to pay in silver ; whereas it is a mere matter of fact that the injustice he suffered in theory did not become of much practical importance until after 1873.

V.

Mr. Reid, who fully appreciates the rising value of gold and the evils resulting from it, proposes, as a remedy, the issue of 1*l.* notes and 10*s.* notes by the Bank of England.[1] Whatever the intrinsic merit of such a course might be, it must be borne in mind that what the national debtor has a right to demand is the coinage of silver at the mint, and not an issue of paper money. And besides this, such notes, unless issued to such an extent, unsecured by coin or bullion, as to endanger their convertibility, would form a very trivial palliation for the enhancing value of gold, and would not check its rise in relation to silver.

[1] *The Enhancing Value of Gold, and the Industrial Crisis*, by W. S. Reid, General Manager of the Capital and Counties Bank, Limited. Effingham Wilson, London, 1883.

VI.

Mr. Pilling, who informs me that he has written his pamphlet in consequence of having read my paper on 'Lord Liverpool's Oversight,' very fully appreciates the evil that is wrought by the tendency of any enhancement of the standard of value to bring about commercial and political difficulties. But instead of advocating the reopening of the mint for the coinage of silver on the same conditions as gold, Mr. Pilling proposes to leave the amount of gold coinage to be determined by the public as at present, and to leave it in the hands of Government to issue silver for unlimited legal tender at their discretion, at a fixed ratio in relation to gold. In this manner Mr. Pilling thinks to obtain a more steady standard of value than under a purely gold standard, or under the formerly existing double standard.[1] But, even supposing it to be possible in practice to carry out the principle theoretically enunciated by Mr. Pilling, the establishment of such a standard would be a breach of contract as regards the National Debt. Be the merits or the demerits of the standard under which the debt was contracted what they may, that is the standard which should be sustained as long as the debt remains unpaid. If it is desirable for a new and better standard of value to be introduced, then let the debt first be paid in full. But, in point of fact, I do not think that any one can study the history of our pound sterling without perceiving that it is merely the existence of the National Debt itself which has led to the legislation which has caused the recent enhancement of the standard of value.

[1] *Money*, by William Pilling, Buenos Ayres.

VII.

Extract from Letters to Mr. Grenfell, dated 19th and 21st January, 1883.

LONDON, *January* 19, 1883.

Lord Liverpool's reasons for free coinage are to the effect that if any charge were made for coining, the measure of property would not in such case be perfect, and that the weight of the coins would have to be diminished to pay for the coining.

The fact is, however, that the standard of value is not affected by the question as to who is to pay the cost of coinage. Nor is there the slightest necessity for the mint to change the weight of the coin because the cost of making it is to be paid by importers instead of by Government.

If the English mint were now reopened, without international treaty, for the coinage of silver at the ratio of $15\frac{1}{2}$, it would of course get what profit it could on the present market value, which would soon cease to show the existing margin for profit, or else yield the Government a large and continuous income. And even if, instead of being so reopened, untrammelled by international treaties fixing its course of action, it were reopened to silver under an international treaty binding it, together with the other mints under the international bond, to a joint course of action, even so, a fixed charge established by treaty to cover the cost of coining would not only be an effectual check on extravagant coinage, but would also place a special check on any redundancy of silver currency, and cause silver bullion specially to perform the functions of international money. For, as the cost of coining the silver crowns or dollars to represent a pound sterling would be four or five times greater than that of coining the gold sovereign,[1] holders of gold would therefore be more ready to have it coined to

[1] The extra cost is overestimated above, but that does not affect the argument.

serve as internal currency than holders of silver, and there would therefore be a tendency to hold silver in the form of bullion rather than as legal-tender coin.

A charge for coinage, even if only sufficient to cover the actual cost without leaving any profit to the Government, would thus form a natural check on any superfluity of silver coinage beyond the wants of commerce. By an international agreement to the above effect the double standard would be just as effectively established as by an agreement binding all the mints to 'free coinage'; and under it gold would naturally be preferentially taken to the mint in consequence of its coinage costing less than that of silver: whereas, under the system of 'free coinage,' Government would really pay a premium for the presentation of silver rather than gold for coinage, for they would pay four or five times as much for coining a pound sterling in silver as for coining it in gold. And silver coin thus artificially forced into the market would have to be used, whilst gold might be held as bullion; though, but for the extra price paid by the Government for coining silver, the gold would naturally be coined and the silver be retained in the form of bullion.

Thus the system of 'free coinage,' which, under a single standard, has simply the demerit of its extravagance, becomes under a double standard not only still more extravagant, but also absolutely pernicious, for it deranges the course of natural selection on the part of the public as regards the bullion they take to the mint for coinage.

LONDON, *January* 21, 1883.

Lord Liverpool's misunderstanding as regards the standard of value led him to suppose that any charge made by the mint for coining gold as unlimited legal tender would make the 'measure of property imperfect'; and it is in consequence of statesmen having been imbued with that mistake that the mint has been bound not only to unlimited coinage of all gold presented to it for the purpose, but also to its free coinage—that is to say, for every 40 lbs. weight of standard gold presented

for coinage the mint is bound on principle to give 1,869 gold sovereigns weighing 40 lbs.; thus returning in coin the same quantity of pure gold as received in bullion, and making no charge for the cost of coining it.

I have constantly expressed my conviction to the effect that, as soon as the double standard becomes a subject of practical discussion in Parliament, it will be found requisite to abandon the present system of free coinage (that is to say, coinage free of charge) for the purpose of re-establishing the double standard by opening the mint for the unlimited coinage of silver as well as of gold. No one in so influential a position as that which you hold has hitherto expressed an opinion at variance with that of Lord Liverpool on this point. For the Governor of the Bank of England openly to oppose Lord Liverpool on the question of the gold standard constituted an important event in our financial history; and it would be a scarcely less important event for the Governor of the Bank to oppose Lord Liverpool on the question of free coinage—that is to say, as regards making a charge for coining, or coining free of charge.

To prevent the risk of misunderstanding, allow me to re-state that my main contention is to the effect that justice to the labourer demands that the mint should be open for the coinage of both silver and gold for unlimited legal tender: *technically* at the ratio of $15\frac{1}{4}$ [1] to 1, though *equity* would be satisfied by the more convenient ratio of $15\frac{1}{2}$ to 1. And I contend that Parliament ought not to hesitate for the purpose of considering whether the course of justice would or would not give us a silver instead of our gold circulation, nor as to whether a silver would or would not be more advantageous to the commercial community than a gold circulation. These, together with the question as to who is to pay the cost of coinage, are matters of minor importance from the above point of view. But, when considered as a question of commercial convenience, into the discussion of which I have been drawn

[1] More exactly, 15·209 to 1.

by your criticism, then the question of free coinage (as distinct from unlimited coinage) becomes of paramount importance. The whole question as to whether the double standard is or is not superior to the gold standard from a merely commercial point of view seems to me to depend upon it, for I cannot consider the superior steadiness of the double standard alone sufficient to compensate for the extravagance and inconvenience of throwing the mint open to the unlimited coinage of silver free of charge.[1]

VIII.

The Issue Department of the Bank of England has really formed the sheet-anchor of our financial system, and I suggest that the mint ought to be under its control; or that, at any rate, the Issue Department of the Bank should in all respects act as agent between the mint and the public; and that the existing arrangement between the Government and the Bank should be so modified as to allow the profit on the issue of notes to supply an income to cover the loss incurred by abrasion of the coinage.

In this manner the currency would be completely self-supporting, or might easily yield a considerable income to recompense the Banking Department of the Bank of England for the transaction of Government business.

LONDON: *April* 16, 1883.

[1] Lord Liverpool states that what he means by the mint being 'free' is, 'where everyone has a right to bring gold or silver to the mint to be 'converted into coin; not at the charge of the person who so brings it, 'but of the public.' The term must not, however, now be understood to mean more than merely *unlimited* coinage, unless otherwise expressed; and not necessarily free coinage in the sense defined by Lord Liverpool. It is now used by Mr. Gibbs and Mr. Grenfell in this restricted sense.

The *Quarterly Review* for April has declared against Lord Liverpool as regards coinage free of charge.

PREFACE

TO

THE SECOND EDITION, 1882.

In commenting on the First Edition of the following Paper on 'Lord Liverpool's Oversight' a few days ago, a London reviewer alludes to it as a 'defunct controversy.' If, however, the reviewer will look a little more closely at the book, he will find that it not only is not the defunct controversy he supposes, but that it is the discussion of a question which was never dreamt of in the philosophy of William Cobbett, Sir Robert Peel, or John Stuart Mill ;[1] and that it is not only a 'living

[1] Mill, after arguing that under the double standard 'the money of the 'community would never really consist of both metals, but of the one 'only which, at the particular time, best suited the interest of debtors,' says: 'The plan of a double standard is still occasionally brought forward 'by here and there a writer or orator as a great improvement in currency. 'It is probable that, with most of its adherents, its chief merit is its tend- 'ency to a sort of depreciation, there being at all times abundance of 'supporters for any mode, either open or covert, of lowering the standard. 'Some, however, are influenced by an exaggerated estimate of an advan- 'tage which to a certain extent is real, that of being able to have recourse, 'for replenishing the circulation, to the united stock of gold and silver in the 'commercial world, instead of being confined to one of them, which, from 'accidental absorption, may not be obtainable with sufficient rapidity. 'The advantage, without the disadvantages, of a double standard seems 'to be best obtained by those nations with whom one only of the two 'metals is a legal tender, but the other also is coined, and allowed to pass

'question,' but what the Lord Mayor of London has recently, at a public meeting at the Mansion House, declared to be 'a 'question which he thought there could be no denying was the 'most important of the present age.'[1]

LONDON: *September*, 1882.

'for whatever value the market assigns to it. When this plan is adopted 'it is naturally the more costly metal which is left to be bought and sold 'as an article of commerce. But nations which, like England, adopt the 'more costly of the two as their standard, resort to a different expedient 'for retaining them both in circulation—namely, to make silver a legal 'tender, but only for small payments.' *

The above is enough to show that Mill had no conception of the fact of the Currency Act of 1816 having changed the standard of value in the manner I have explicitly pointed out in Chapter I. of this volume. The only gleam of an approach to understanding the question is his allusion to what he calls an *exaggerated* estimate of the advantage of being able to replenish the circulation from the united stock of gold and silver instead of being restricted to only one of those metals. I do not suppose, however, that any such estimate went so far as to suggest that within fifteen years of the closing of the European mints against silver the gold standard would be enhanced in value more than 40 per cent.; and therefore, unless those estimates went beyond that, the event has proved that they were not exaggerated, but reasonable or moderate estimates.

Mill taunts the adherents of the double standard with wanting a sort of depreciation, without appearing himself exactly to understand how; but the event has proved that if the advocates of the double standard had prevailed at that time, they not only would not have caused any depreciation of the standard in any manner whatever, but would have prevented the present mischievous appreciation.—*Note to the Fifth Edition*, 1888.

[1] The *Times*, March 11, 1882. See Index, *Currency and Land Questions*.

* *Principles of Political Economy*, by John Stuart Mill, vol. ii. p. 34, 6th edit., 1865.

PREFACE

TO

THE FIRST EDITION, 1880.

REPLIES IN DISCUSSION.

I.

DISCUSSION ON THE PAPER ON 'THE DOUBLE 'STANDARD AND THE NATIONAL DEBT.'

July 28, 1880.

THE first speaker against the resolutions [1] quoted the opinion of John Stuart Mill in favour of a single standard, considering the maintenance of a double standard impossible, because the cheaper must drive out the dearer metal :—

If one country only had the double standard, and, of the other countries, some the gold and others the silver standard, and if silver were brought to the silver mints for coinage in so much greater amount as to make its excess beyond the value of the new supplies of gold greater than the value of the gold circulating in the bimetallic country, then the gold would be driven from the latter country.

A smaller supply of silver than the value of the gold in circulation in the bimetallic country, or a smaller supply of gold than the value of the silver in that country, would simply change

[1] See Chap. VI.

the relative amounts circulating there, without changing the relative value of the two metals.

As soon as the fresh supply of either metal became large enough to drive all the other metal from the bimetallic country, then the relative value of the two metals would change, and would continue to fluctuate with every change in the relative supply and demand.

In either case, the *more abundantly supplied*, not necessarily the cheaper metal, would drive the other from the bimetallic country.

But what has this to do with the question of universal bimetallism?

Under the bimetallic system, the metal which yielded most profit to the miner might become the more abundant; but, in telling us that the cheaper must drive out the dearer metal, without telling us where that dearer metal is to be driven, the speaker makes, I think, an inconsiderate assertion.[1]

If, from the question of universal bimetallism, we turn to the question of the practicability of its maintenance in any one, or in any two countries, then we merely have to consider whether the quantity of the two metals held by those countries is such that any possible excess of the supply of one metal

[1] 'Well, I contend that if you are going to swamp the world with 'silver, gold will be such a scarce article that it will be more difficult to 'obtain.'—*Mr. H. L. Raphael, Royal Commission on Gold and Silver*, 1888, question 6979.

Sir John Lubbock.—I suppose you would agree, would you not, that if the proportion of fifteen and a half to one were adopted, it would give a great stimulus to silver mining?

Sir Evelyn Baring.—Yes, I presume it would. It would increase the production of silver.

Sir John Lubbock.—And do you not think that it is possible that it might increase the production of silver so much that, in effect, the result would be in a few years to drive gold out of circulation?

Sir Evelyn Baring.—Where is it to go to?

Sir John Lubbock.—Into the arts.

Sir Evelyn Baring.—I do not believe in that. The arts could not absorb all that amount of gold.—*Ibid.* questions 7138–7140.

above the supply of the other metal can or cannot be equal to the supply of the latter held by the bimetallic countries.

I have shown that France and England combined are obviously able to sustain bimetallism against any possible supplies of silver, without inconvenience to their circulation; and I have argued that England, under existing circumstances, could by her initiative action reinstate the practical working of bimetallism throughout the world, because it would obviously be the interest of France and the United States to support her action.

Sir Isaac Newton and Napoleon Bonaparte, when they dealt with the subject, took a more practical view of it than John Stuart Mill. They fairly faced the fact that both gold and silver had, by virtue of their own intrinsic merits as mediums of exchange, or measures of value, forced their way into a universally recognised and well-established position. Those metals had been freely accepted in payment for labour and property, on the universal understanding that they would continue to be equitably exchangeable in the same manner.

Under those circumstances, for the law to legalise the position of one of the two metals, and to disregard the other—that is to say, to make one and not the other unlimited legal tender—would constitute not only a breach of faith with the holders of the disregarded metal, but would also directly favour the holders of the other metal; seeing that the desirability of holding the legalised, rather than the unlegalised, metal would naturally enhance its value.

Besides this consideration, there comes the still greater breach of faith in every current contract; for the debtor becomes forced by law to pay in a metal artificially enhanced in value by that same law.

For these practical reasons the authorities to which I have alluded successfully advocated the establishment by law of a double standard in England, and afterwards in France; though both authorities, as each was legislating for his own country alone, recognised the right of the law to regulate the

relative value of the two metals in such a manner as to suit the convenience of the circulation.

Newton and Bonaparte both took too broad and practical a view of the question to allow of their advocating a disregard of the terms on which, on the faith of a tacit understanding which had been the slow growth of ages of gradually increasing faith between man and man, gold and silver were held as measures of value by those who had obtained them in return for value given.

For these reasons, I say that the speaker based his avowed intention to vote against both resolutions on an opinion of John Stuart Mill which does not constitute a serious argument against the first resolution ; and which, by a mere assertion, adversely decides a minor question at issue in the second resolution without touching the merits of the main point.[1]

The second speaker fluently accused me of arriving at conclusions at variance with my arguments, and of advancing arguments unsupported by facts.

All I have said is permanently recorded in this paper, which will, I think, vindicate itself against such an accusation. I was indeed half afraid that I had perhaps made a wearisome repetition of some of the leading facts on which the arguments are based.

As an instance of the absence of requisite facts, he said I should have told what the amount of the debt had been at various epochs, and how much had been raised since 1816.

I have told you that the first important amount of debt was incurred during the Revolution of 1688 ; that in 1816, when the silver standard was abolished, its amount was 850,000,000*l.* ; and that it is now about 750,000,000*l.*[2] I might easily have loaded my paper with more statistics of the debt, but no more were required for the purpose of the present discussion. For those figures show that not only has all the money borrowed

[1] Mill did not know of, or discuss, the question now at issue.

[2] Published in 1880. Chap. II., giving the history of the Pound Sterling, was published soon after this.

since 1816 been repaid, but also 100 millions of that previously borrowed; so that all the existing debt was borrowed whilst silver was unlimited legal tender in England.

If, by his criticism, the speaker meant to imply that all that has been borrowed since 1816 must be considered to be still unpaid, on the plea that the subsequent payments must be considered to have extinguished the older portion of the debt, then that is an assertion which I cannot admit; for it is evident that if there had been no debt in 1816 there would be no debt now; for we have paid off 100 millions more than we have borrowed since that date.

Even, however, if we admit the speaker's view of the matter—even then, though the legal technicalities of the question are modified, or partly modified, its intrinsic merits as a question of equity remain unchanged.

For, though England abolished the legal action of the double standard in 1816, it was nevertheless practically maintained by the action of other nations until 1874. It was only in the latter year that the effect of the English law of 1816 became apparent in the relative depreciation of silver, which results from the enhanced value which gold acquires in consequence of the legal status given to it and not to silver.

As the relative value of gold and silver was maintained up to 1874 in spite of the English law of 1816, all the money borrowed during that interval has practically been received under the bimetallic system; and, therefore, as a matter of equity it is as unfair to enforce its payment in gold, after the practical collapse of that system, as to enforce the payment in gold of the previous loans borrowed with the legal right to pay in silver.

All this is, however, quite beside the true merits of the case; for the existing debt all existed before 1816, and was therefore all borrowed with the legal right of repayment in silver.

The speaker also objected to the double standard, on the ground that by it silver-mining would be encouraged. And

why should it not be encouraged as well as gold-mining? A part of the gold coined at the English mint has cost the miner five shillings an ounce, and on its being coined for him he finds it worth in his hands more than eighty-four shillings an ounce. No such encouragement to silver-mining can be given by its legal tender rate of about five shillings an ounce, as that encouragement given to gold-mining by its legal tender rate of 3*l.* 17*s.* 10½*d.* an ounce standard.

But the fact is that no permanent difference can be made in the number of men employed in mining under the single or the double standard,[1] for if too many should engage in mining, either for gold or silver alone, or for both, the purchasing power of legal-tender metal would quickly decline sufficiently to make it requisite for them either to turn to other employments or to starve for want of a sufficient yield of metal to maintain them at the enhanced range of prices.

The speaker also says there is no reason why silver should go out of circulation, even if not acknowledged as legal tender.

But, even admitting that adverse laws cannot drive silver out of circulation; even so, if it is true that silver can and will sustain itself in spite of laws, it is all the more expedient that its position should be recognised by law.

But the fact is that France will not coin silver whilst England and Germany close their mints against it. And if permanently repudiated by those three countries, it is probable that the rest of Europe and the United States will endeavour to establish sole gold standards as a matter of convenience. Thus the purchasing power of silver in its reduced area will be diminished, and the purchasing power of gold in its enlarged area will be increased, and the relative value of the two will

[1] 'It is not the cost of production that determines the relative value of 'gold and silver, but the relative value which leads to the abandonment 'of the worst-paying mines of one metal, and to the opening of fresh 'mines of the other metal, until the relative cost of production exactly 'corresponds with the fixed ratio.'—*Mr. T. Comber*, *Royal Commission on Gold and Silver*, 1888, question 6311.

fluctuate from the new basis of value, in accordance with each fluctuation of relative supply.

If England does not act promptly, all power to control the relative value of the two metals may vanish in consequence of the increasing difficulty resulting from delay. And then, by the legislation of foreign nations, the burden of the English National Debt may be doubled or trebled, or caused to fluctuate in accordance with the vagaries of their legislation.

If foreign legislation should be such as to bring about any important or permanent change in the relative value of the two metals, it will then become impossible for the English Government to ignore the fact that, as the National Debt has been borrowed under the bimetallic system, precisely the same injustice is done to the debtor by any limit being placed to the legal tender of either gold or silver as would be done to the creditor by the free coinage of copper as unlimited legal tender. The question is a thoroughly practical one, and not dependent on individual fancies as to what constitutes the best medium of exchange.

The speaker's suggestion as to allowing some other metal to supply the place of silver cannot enter into the merits of the present discussion. The reacknowledgment of silver is what is practically requisite. Its equitable substitution by a more valuable metal is a more difficult question, which it will be time enough to discuss if the readmission of silver should entail any such inconvenience as to warrant such a substitution.

What thoroughly amazed me in this speaker's observations was his assertion that Mr. Barclay's argument to the effect that the rejection of all the silver in circulation would naturally enhance the purchasing power of gold, is based on a fallacy.

If the speaker could persuade all who are now in favour of gold monometallism that the general level of prices must remain the same whether silver is universally repudiated or universally admitted as unlimited legal tender, the cause would, I think, lose one-half of its present supporters. For many among the holders of fixed incomes regard it merely as a

matter which affects the value of their incomes, and consider that the more money is kept out of circulation the greater must be the value of those incomes. If this could be shown to be a fallacy, then many of those supporters of the gold standard would doubtless cease to trouble themselves about the matter.

Leaving, however, this narrow and directly selfish view of the matter for broader considerations, the self-interest even of the Army and Navy is with the readmission of silver ; for, if its repudiation should result in any great increase of the burden of the debt, there will certainly be less of the country's resources available for the support of those services. Even under existing circumstances there can be no doubt that they are not so adequately supported as they would be if the country were not burdened with debt. How then will the requisite supplies for them be obtained if the interest on the debt should be allowed to absorb twice as much of the country's available resources as it does at present? An undue extension of the debt must result in the ruin of the Army and Navy, and then in that of the country.

What amazed me even more than the assertion just considered was the argument on which it was based.

The speaker told us that 300 millions sterling of accounts are settled every week in London without the intervention of metallic money ; and that the amount of paper money, cheques, and bills, by which these accounts are settled, is so great, compared with the amount of metallic money in circulation, that no possible increase or decrease of the latter can really affect prices.[1]

[1] This same argument is sustained by Mr. Macleod, and is further replied to in the preface to the fifth edition.

Mr. Macleod.—I think the fall in prices throughout the world is very much due to the state of credit, much more than has ever been appreciated. . . . In this country the development of credit has been something enormous. . . .

Mr. Barbour.—If the fall of gold prices is due to a contraction of credit, how is that consistent with the great extension of credit ?

This argument follows that by which I endeavoured to show that the universal repudiation of the 720 millions sterling of silver now in circulation would simply form a more world-wide, though similar, disaster to that which would result from the repudiation of the existing Bank of England notes.

If even the Bank of England notes were repudiated, would not the fabric of credit alluded to collapse? And, in the absence of those notes, would not business in England be resumed, after the crisis caused by their repudiation, at a lower level of prices?

Even a partial withdrawal of notes, or extra freedom in their emission, affects prices. How, then, can it be suggested that a wholesale repudiation of either the silver or the gold in circulation would not affect prices?

If every twenty ounces of silver repudiated were replaced by a five-pound note of inconvertible paper accepted as legal tender universally, then prices would be maintained as silver was withdrawn; but such paper would be a sorry substitute for the silver. And such substitution is impracticable.

The fact is that just as the value of any given nominal amount of local currency bills and cheques in this city depends on the total amount of the circulation of the inconvertible paper in which they are payable, so also the value of the

Mr. Macleod.—For this reason, that there has been comparatively extremely little speculation of recent years. It is speculation which gives rise to this gigantic increase of credit. In times of speculation bills of exchange are multiplied, and then those bills of exchange are discounted by bankers, and that gives rise to the extension of banking credits, and that gives rise to an enormous multiplication of credit. Now you will observe that this great fall of prices has been since the year 1873. That was the year of great speculation, and speculation has collapsed almost since the year 1873. . . .

Mr. Barbour.—Do you think that by extending credit in that way you could put prices up to any limit, theoretically?

Mr. Macleod.—If credit is as good as money, and anybody can create credit, I do not see any limit to prices.—*Royal Commission on Gold and Silver*, 1888, questions 7209, 7212, 7213, 7343.

300 millions sterling of bills, cheques, and bank notes referred to depends on the total amount of the circulation of the coin in which they are payable.

A reduction of the amount of metallic money which is legal tender all over the world must enhance the value of any given nominal amount in bills, cheques, or bank notes based on and payable in that metallic money, just as certainly as a reduction of the amount of inconvertible notes in the Argentine Republic would enhance the value of a bill for 1,000 dollars currency.[1]

The third speaker made an able defence of the bimetallic system if universal; but objected to the second resolution on

[1] I have found it requisite to argue this more fully in the preface to the fifth edition, to reply to arguments laid before the Royal Commission on Gold and Silver, 1888. In the *Economist* of March 8, 1845, Mr. James Wilson says that when gold was made our standard of value 'the 'actual relation of cost was preserved between the standard of value and 'other commodities. As in a state of barter, the value of every article 'still varied in proportion to its cost and the cost of gold, or the quantity 'of labour necessary to produce them.' And in another article on April 19, 1845, he says: 'If wheat falls in price it can only be that it 'has become more plentiful, or that the commodity gold has become more 'scarce.' And in the same article he says: 'Though an increased circu- 'lation could not be called into existence as a cause to produce higher 'prices, it would follow as the effect or consequence of higher prices'; and he there supports Tooke's argument that 'the prices of commodities 'do not depend upon the quantity of money indicated by the amount of 'bank notes, nor upon the amount of the whole circulating medium; but 'that, on the contrary, the amount of the circulating medium is the con- 'sequence of prices.' Of course, both Mr. Tooke and Mr. Wilson excluded from their argument inconvertible paper money. The rate of exchange must be taken into account to convert paper-money prices into gold prices. It is obvious that in the first of the above quotations Mr. Wilson used the term value as synonymous with price, though neither he, nor any other economist, considered it technically to be so. Allowing for this current use of the term value, the above views are in effect the quantitative theory, which is by leaps and bounds regaining the position which, for the reasons pointed out in the Appendix to this Edition, it lost in the crisis of 1857.—*Note to this Edition*, 1896.

the ground that it would lead to England being flooded with silver. He made, however, no definite reply to the arguments by which I have endeavoured to show that under existing circumstances it would not have such an effect; and he left entirely unnoticed the arguments by which I have shown that, even if such an effect were certain to result from the re-adoption of the principle of bimetallism, it would nevertheless be expedient for England to act on it.

The fourth speaker also supported the principle of bi-metallism, but objected to its adoption by England unless under an international treaty for joint action with France, or a combination of other countries.

The speaker seemed to overlook the argument by which I endeavoured to show that the first effect of the readoption of bimetallism by England would naturally be a practical arrangement between the authorities of the English and French mints for their mutual guidance, and that the mint authorities in the United States would only be too ready to support such measures as might be adopted to reinstate silver.

I argued that the attempt to repudiate silver originated in the English law of 1816, and that on the abrogation of that law the self-interest of the various countries would naturally reopen their mints to silver. I contend that the mere removal of a restrictive law now in force in England will practically achieve the object in view, without any formal celebration of international treaties. This speaker eloquently denounced the recent conduct of Germany in this matter, and argued that that country had no right to disturb the commercial world simply for the sake of forcing a gold instead of a silver circulation into Germany. Admitting the speaker's arguments, he should have looked beyond them to the fact that Germany so acted because England had done so in 1816. England then placed the corner-stone on which the 'crime' has been founded. It is therefore England's duty to take the lead in the work of reformation, and I have also shown that England is more interested than Germany in the matter. France long stood alone in resisting the 'crime' of repudiation, and,

though now bending before the storm raised by the mono-metallists, is ready, under existing laws, now merely held in abeyance, to rally to the support of any powerful nation that may make a stand in the cause of honour.

The next opposition speaker argued that it is not desirable to have two currencies; and that gold is less subject to fluctuation than silver:—

We have to deal with the fact that two currencies actually do exist, and that the repudiation of either constitutes a 'crime' towards the holders of that currency, and involves another 'crime' towards every debtor, seeing that such repudiation enhances the value of the remaining currency in which he becomes forced to pay his debts.

As regards the second argument, the fact is that the supply of silver has fluctuated less than the supply of gold, and the apparent steadiness in the value of gold is due to the mints having been freely open for its coinage whilst closed against silver.

The next speaker, who opposed the second resolution, grasped the true question at issue, and he pointed out that on one occasion in this country, after a great change in the legal measure of value had been caused by an excessive issue of paper money which had become inconvertible, a special law was passed increasing the nominal amount of all contracts entered into before the occurrence of the depreciation of the measure of value. The speaker argued that what equity now requires in England is some such practical measure for the protection of the national debtor. He pointed out that, whereas in this country the creditor on contracts of long standing was specially protected against the effects of the increased quantity of legal-tender notes, in England the national debtor now requires special protection against the effects of the repudiation of silver by the law of 1816. The speaker, whilst advocating a practical measure, did not suggest any special measure, and overlooked my argument to the effect that *the* practical measure now requisite is merely the immediate readoption of the principle of bimetallism by

England. The distinguished Argentine to whom I am now replying was the only opposition speaker who really faced the main question at issue. With that exception, the opposition exemplified the character of that ponderous but timid bird which buries its head in the sand in the hope of avoiding the hunter's shaft.

II.

DISCUSSION OF THE PAPER ON 'THE POUND STERLING, ITS 'HISTORY AND CHARACTER.'[1]

Published in the HERALD, *Sept.* 24, 1881.

ALTHOUGH I not long ago resolved not again to enter into discussion with any anonymous writer, the chivalrous tone in which your correspondent has attacked my pamphlet on the above subject induces me to offer some remarks on his criticisms.

Your correspondent says: 'It is evident, by the whole 'statistics given, that the National Loan was made at times 'when more than ordinary inducements were held out to the 'lender in order to secure the means of prosecuting the great 'objects of State.'

I wish first to point out that in this statement your correspondent has opened a new question, which I had not touched, or alluded to in any of my writings. I have merely accepted the fact of the debt having amounted to 850,000,000*l.* in 1816. My arguments have nothing to do with the question as to whether the terms on which it had been raised were easy or hard on the debtor, but are intended merely to point out or explain the injustice committed by Parliament in changing that debt of 850,000,000 *pounds sterling* into a debt of 850,000,000 *gold sovereigns*. I have argued that if Lord Liverpool and his colleagues had properly understood the importance of the distinction between these two amounts they never would have advocated such a change, and that the only

[1] Chapter II. of this volume.

valid excuse to be made for the Parliament of 1816 is that they made the change 'by mistake.'[1]

Secondly. Your correspondent's argument that 'Parliament, or the people, borrow from the people, and this 'people have a right to *pay themselves* in silver, but the people, 'or Parliament, which is the same thing, say they must pay 'themselves in gold,' though serving as a prelude to a plausible disquisition, is really superficial: for the interests in question are really distinct, the *nation* being the borrower and *individuals* the lenders of the money. And it also ignores the fact that the vast majority of the labouring population, who are the taxpayers, and not bondholders, were not represented in Parliament in 1816. They did not know what Parliament was doing. I have endeavoured to show that, if the law of 1816 be not quickly annulled, the action of foreign legislation may create such conflicting interests between debtor and creditor as may make the question quite unmanageable in Parliament, and ultimately compel the labouring classes to take the matter into their own hands in a manly manner,

[1] 'If the State says debts contracted in gold may be paid in silver, 'why not in shells, stones, anything?'—*Mr. Bertram W. Currie, Royal Commission on Gold and Silver*, 1888, question 6902.

'Directly to alter the terms of the contracts between individuals, would 'be too barefaced and tyrannical an interference with the rights of property 'to be tolerated. Those, therefore, who endeavour to enrich one part of 'society at the expense of another, find it necessary to act with caution 'and reserve. Instead of changing the stipulations in contracts, they have 'resorted to the ingenious device of changing the standard by which these 'stipulations are adjusted.'—*J. R. McCulloch, Treatise on Money*, written for the *Encyclopædia Britannica*, 1858, page 431. In face of the foregoing and many similar observations by McCulloch it is surprising that he does not appear to have understood that Sir Robert Peel's Act of 1816 constituted a change of the standard of value. He alludes to the enhancement of the standard of value by means of increasing the weight of the coins, as a method of swindling first practised in the worst times of the Roman Empire; and also mentions that in France, in the thirteenth century, the labouring class broke out into open rebellion in consequence of an enhancement of the value of money. I have given further extracts from McCulloch as specified in the Index.—*Note to the Fifth Edition*, 1888.

unless they pusillanimously flock in rapidly increasing numbers into the almshouses and workhouses, to meet a destiny of wholesale starvation as soon as the increase of those establishments becomes too great to be supported by the wealth of the country.

III.

DISCUSSION OF THE PAPER ON 'LORD LIVERPOOL'S OVERSIGHT 'AND ITS CONSEQUENCES.'[1]

June 14, 1882.

To the Editor of the HERALD.

THE opinion expressed in your leading article of the 16th inst. to the effect that the bimetallists, though beaten in the division on the above subject on the 14th inst., had really the best of the argument, encourages me to offer you a note of the objections then urged by our opponents, together with brief answers to them.

I. 'Our gold standard is the cause of all our greatness.'

Answer : Bimetallists consider that our prosperity would have been greater under a legal continuance of the double standard, because the change from that to the gold standard, which did not practically occur until 1873, has more or less disorganised trade and industries of all descriptions.

II. 'Lord Liverpool advocated the payment of the interest 'of the National Debt in gold, because the money was borrowed 'in gold.'

Answer : This is a mistake as regards a mere matter of fact, so that, according to the objector's own argument, he ought to agree with bimetallists in asserting that, as the money was borrowed under the double standard, the interest ought to be payable under that same standard.

III. 'You might as well insist on having diamonds for 'legal tender as money.'

[1] Chapter I. of this volume.

IV. 'You might just as well insist on having the mint open 'for the unlimited coinage of copper.'

Answer: A law making diamonds legal tender, or a law opening the mint for the unlimited coinage of copper as legal tender, would constitute an injustice to creditors on all current contracts, exactly similar to that inflicted on debtors by the closing of the mint against silver. We should consider it as unjust to open the mint for the unlimited coinage of copper as to close it against either gold or silver.

V. 'If an injustice was done in 1816, that is no reason 'why another injustice should be done now by changing back 'to the double standard.'

Answer: There was no practical change in the standard of value until the year 1873. The injustice nominally done in 1816 has only since 1873 commenced to have practical effect, so that a legal return now to the double standard would not constitute another injustice, but would merely remedy an existing injustice, whose mischievous effects may otherwise become each year more serious.

VI. 'It has recently become evident that there is some-'thing wrong with silver. Everybody wants to have gold and 'not silver, and, therefore, gold is the only proper metal for 'legal tender.'

Answer: Everybody who has debts to pay wants the metal which is legal tender for those debts, and, therefore, wherever gold and not silver is legal tender everybody wants gold. The 'something wrong with silver' is a natural consequence of the recent closing of the mints against it. If the mints were, in the same manner, closed against gold, and silver were made the only legal tender, then everybody with debts to pay would want silver, and there would soon appear to be the same 'something wrong' with gold. So, also, if the factories were suddenly closed against the manufacture of woollen articles, then sheep farmers would very soon find 'something wrong' with the value of their stock. And if those farmers were unable to understand why the cessation of the manufacture of woollen articles should reduce the value of their sheep, then they would

be on a par with those commercial men who cannot understand what the 'something' is that is 'wrong with silver.'[1]

VII. 'The production of silver is so erratic as to make it 'unfit for a standard of value.'

Answer : It is a mere matter of fact that the production of silver is less erratic than the production of gold, so that, according to the critic's own argument, he ought rather to advocate the closing of the mint against gold than silver. The value of a double standard of gold and silver would, however, be even less erratic than that of a silver standard. The value of the gold standard would be the most erratic of the three, and, therefore, the critic's argument would be very good if used against the gold standard ; but bimetallists do not consider it sufficiently strong to justify the repudiation of gold.

VIII. 'The amount of payments settled in gold or silver is 'so infinitesimal when compared with the mass of payments 'made in bills, cheques, and bank notes, that if silver were 'thrown out of circulation it would not be missed.'[2]

Answer : The value of those bills, cheques, and notes depends on the quantity of metallic money current as legal tender for their payment, just as the value of the currency bills held by the banks in Buenos Ayres depends on the quantity of inconvertible paper current as legal tender for their payment. And the withdrawal of half the metallic money in circulation would therefore raise the value of all debts payable in metallic money, just as certainly as the withdrawal of half of the inconvertible paper in Buenos Ayres would raise the value of all debts payable in that currency.

The attempt to repudiate silver brought on a state of crisis all over the world exactly similar to what would be caused in

[1] This might serve as an answer to some of the arguments subsequently brought forward by Mr. Crump, to which I have alluded in the Preface.—*Note to the Third Edition*, 1883.

[2] This argument has been freely used in the evidence before the Royal Commission on Gold and Silver, 1888 ; and has been more definitely refuted in the Preface to the Fifth Edition, 1888.—*Note to the Fifth Edition*, 1888.

Buenos Ayres by a sudden withdrawal or repudiation of a large mass of the inconvertible paper in circulation.

IX. 'We don't want silver thrown out of circulation.'

Answer: By closing the mints against the unlimited coinage of silver, and allowing it to be legal tender for small amounts only, it must of necessity be thrown out of circulation; for only a very small portion of the existing stock would then be wanted by anybody. Thus the critic simply declares that he does not want to produce the effect which his conduct must of necessity cause.

X. 'Our present National Debt is not the same debt 'which existed in 1816.'

Answer: Since 1816 we have paid off 100,000,000*l.* more than we have borrowed since that date; so that all that remains is debt which existed in 1816. That debt has never been liquidated, but remains the same debt; for there has not been an extinction of the debt of 1816 followed by the creation of a new debt; and therefore if no debt had existed in 1816 there would be no debt now. But even if this were otherwise, it would not alter the question as a matter of equity; for the change from the double to the gold standard did not practically occur until the year 1873. Everything borrowed before 1873 was borrowed under the double standard of value, and it is only since that date that all debts in pounds sterling have been practically changed from the double standard measure to that of the gold standard, which has been raised in value by the closing of the mints against silver.

XI. 'No injustice is done as regards our National Debt, 'because it is a question in which our own Parliament legis- 'lates for ourselves, and it concerns nobody else.'

Answer: The debtor and creditor in the case are both under the authority of the British Parliament; but they are nevertheless distinct interests. And not only are the debtor and creditor in this case clearly distinct, but also the debtor as regards the payment of the capital is quite distinct from the debtor as regards the payment of the interest on the debt. To illustrate the separate interests involved in this question, let us

suppose Parliament were now to decide to have the whole debt paid off, as advocated by Ricardo. The owners of landed property and real estate would quickly perceive that they would have to sacrifice 20 per cent. more of their property for the purpose of paying off the debt under the gold standard than under the double standard, and would naturally claim their right to pay what was due according to the standard under which the money was borrowed. Parliament would then have to decide whether to sustain the gold standard in the interest of the bondholders or to allow the mint to put silver in circulation so as to return to the double standard in the interest of the landowners. The question involved would be as to whether a certain amount of property should belong to one set of rich men, the landowners, or to another set of rich men, the bondholders, and the interests of the country in general would not be much affected by the decision. The question is very different as regards the yearly payment of interest on the debt; for the creditor and the debtor are then no longer respectively the bondholder and the owner of real estate, but on the one hand the bondholder, and on the other the labouring classes, whose labour is the source of the yearly revenue from which the interest is paid. Those are the respective interests between which it is the duty of Parliament to see justice done; and for Parliament passively to allow the change of the standard of value, which occurred in 1873, to become permanent would be an everlasting disgrace to the intellect, or else, worse still, to the honour of the governing classes in the country. I do not hesitate to say that the manner in which our enormous debt has remained unpaid from the year 1816 to the year 1882 is one of the greatest scandals in history; and also that the legal establishment of our gold standard in 1816 is, without any exception, the most gigantic breach of faith that has ever been recorded throughout the history of the world. It is shameful enough for Parliament to have allowed so enormous a debt to run so long unpaid, thus allowing the money-lenders to appropriate an immense revenue every year from the earnings of the labouring classes, instead of returning their capital to

them to invest in such a manner as to contribute to the national strength, instead of being a source of weakness; but, whilst that debt is current, to allow of a practical change of the standard of value to the detriment of the labouring classes, who do not understand how the profits of their labour are insidiously sucked from them by the change, would be a far greater disgrace to the present Parliament.

Having given an answer to each one of the speakers against bimetallism, I may point out that the resolution proposed on the 14th inst. involved so limited a support of the principle as to be no more than what the English, German, French, and United States Governments would all now acknowledge. The bimetallist party may be divided into three classes:—First: Those who consider that the reopening of the English mint for the coinage of silver at the ratio of $15\frac{1}{2}$ would practically restore the double standard; and that as long as the present National Debt remains unpaid the mint ought to be open for the unlimited coinage of silver as a mere matter of justice towards the labouring classes. Secondly: Those who think it requisite for England to join in an international treaty for the re-establishment of bimetallism. And thirdly: Those who wish England to retain the legal establishment of the gold standard, but nevertheless desire the English Government to assist other nations to bring about a practical restoration of the double standard at the former ratio. All those parties would naturally agree as regards supporting the resolution proposed on the 14th inst.; and it is evident that it practically has the adhesion of the English Government; and I believe that if the question had been open to free discussion (instead of my being rigorously bound by the rules of the Society, which allow the proposer to speak only once after proposing the adoption of a resolution), it would have been carried on the 14th inst.

To the Editor of the HERALD.

I have much pleasure in handing you the following replies to the questions addressed to me by your correspondent 'An 'Anxious Inquirer.'

1st. The standard of value is whatever may by agreement be referred to for the purpose of giving an idea of the values of things, just as the standards of weights and measures are referred to for the purpose of giving an idea of the length or the weight of anything. It is, however, impossible to have an absolutely fixed value for a standard as in the case of a standard weight or a standard measure.

2nd. Neither coin nor bullion nor merchandise are, nor can they conveniently be made, standards of value. Gold and silver are both well-recognised standards of value in the civilised world, and coins are made from them as a matter of convenience, because the stamp guarantees the quantity and the quality of the metal; but all gold in the shape of bullion or ornaments is just as much a part of the gold standard as gold in the shape of coins.[1]

The standard of the coinage must not be confused with the standard of value, for that merely indicates the quantity of other metals legally mixed in the coinage with the metal used as a standard of value, and it varies in different countries having the same standard of value just as, also, the value of the unit, or principal coin of account, differs in different countries having the same standard.

3rd. When both gold and silver are current in any country

[1] 'I protest against its being called a standard of value. The metals 'are not standards of value except to this extent, that there is no better 'standard.'—*Lord Bramwell, Royal Commission on Gold and Silver*, 1888, question 8920.

Lord Bramwell himself gives the only reason why gold and silver have been, are, and will continue to be standards of value.—*Note to the Fifth Edition*, 1888.

as full legal tender, with the mint open for the unlimited coinage of both metals, then the two metals jointly form one standard of value. This was the case from time immemorial until the year 1873, since which date gold and silver have formed two separate standards of value.

For the purpose of having a standard of the two metals, it does not matter what relative value may be placed on them by the mint for coinage. The rate may be 10 of silver to 1 of gold, or 20 of silver to 1 of gold. In the former case more silver would be coined than hitherto, and less would be used for other purposes; and in the latter case more gold would be coined and less would be used for other purposes; but in either case the whole stock of gold and silver jointly, whether coined or uncoined, would be the standard of value.[1] Bimetallists want the legal restoration of that one standard of value, i.e. the double standard which existed until 1873. That is to say, we want to have one standard only, instead of the two which now exist. The fact of the ratio of 15½ having recently existed, makes it desirable for that ratio to be restored with the restoration of the standard.[2]

June 22, 1882.

[1] See Index, heading, *Change of Ratio*. I have pointed out that the above point has not been properly understood.—*Note to the Third Edition*, 1883.

[2] *Sir John Lubbock*.—And would you not say further, that there might be a fear if we altered once we might alter a second time?

Mr. William Fowler.—Well, of course, that is quite reasonable. If we once begin altering, as you say, no one knows when it will stop.—*Royal Commission on Gold and Silver*, 1888, question 8457.

It is only because we already have improperly changed our standard of value that any change is wanted now. Bimetallists merely require a restoration of the standard improperly discarded.—*Note to the Fifth Edition*, 1888.

IV.

THE GOLD 'CRAZE.'

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THE article from a New York paper, under the head of 'The 'Silver Craze,' which has appeared in your columns to-day, reminds me of the celebrated French lawyer, who spoke splendidly, but forgot in his speech the sheep which were the object of his suit, until at length his client cried out in despair, 'Revenons à nos moutons'; so please allow me to recall attention to the origin of this question.

Until quite recently all holders of either gold or silver could please themselves as to whether they held it in the shape of coin or otherwise. Under this condition of affairs, a group of financiers suddenly, for reasons into which I need not enter, got into their heads the idea that it was desirable to deprive holders of silver of that privilege and to make gold alone the standard of value.

The propaganda (commenced in 1867) for the general adoption of the gold standard resulted in the holders of silver finding themselves deprived (in the year 1873) of the right of having it coined; and the price of silver then quickly fell from 60*d.* per oz. to 47*d.*

In order to check the mischief done by the rapid change in the relative value of silver and gold, the mints of several nations were successively opened for the coinage of limited amounts of silver, and under this condition of affairs the price has recovered to 51*d.*

These measures are, however, merely palliative, and it is gross misrepresentation to endeavour to make it appear that bimetallists fancied it possible for the former par of $60\frac{7}{8}$*d.* per oz. standard to be restored by any such measures. Silver and gold had a relative value of $15\frac{1}{2}$ to 1 when the law left it entirely to the holders of those metals to decide what quantity of either

metal should be coined at that ratio, and what quantity should be used for other purposes. But now that the law has taken upon itself to decide what quantity of silver may be coined, whilst the holders of gold still retain their former right, there is naturally an increased demand for gold, for it has an extra value in consequence of being the only metal which commands the right of being coined. Up to the year 1873 it shared this value, or right, with silver ; but it now has the value of which silver has been deprived.

It is perfectly absurd to suppose that bimetallists ever imagined that the present palliatives could restore the former value of silver in relation to gold. The restoration of that value can only be attained by the law ceasing to meddle, in the way of attempting to decide what quantity of either metal is to be coined. Bimetallists merely protest against the propaganda initiated by those who, to suit their own purposes, have taken a special fancy to gold. We have no special fancy for silver, but contend that it ought to be left to the holders of gold and silver to decide, as formerly, what to have coined and what to use otherwise ; and, therefore, if the term 'craze' is to be brought into the discussion of this question, an article on the subject might much more appropriately be headed 'The Gold Craze' than 'The Silver Craze.' It would be ridiculous to expect that people could do otherwise than continue to prefer to have gold rather than silver as long as gold commands the right of coinage and silver does not ; and in accusing us of such expectations our opponents merely give a new indication of the manner in which some of them allow themselves to be guided by fancy for lack of reason. But at the bottom of the whole question there lies the fact that the closing of the mints against silver enhances the value of the large National Debts which now exist.[1] The money-lenders, as a rule, understand this well

[1] Among the disadvantages of the adoption of bimetallism : 'England 'will lose the benefit which, as a large creditor on a gold basis, she has 'derived from the appreciation of gold. In other words, she will, for the 'balance of trade in her favour, amounting to some 80 to 120 millions

enough, but the labouring classes, who pay the yearly interest, do not yet understand it. The issue is a very practical one, and not a 'craze' on either side.

'sterling annually, receive fewer commodities from other nations.' . . . (Mr. Barbour) 'Would you look on that as a loss to England, or only to 'those particular individuals who happen to have foreign investments?—'I think it a loss to England as a whole.'—*Mr. T. Comber*, *Royal Commission on Gold and Silver*, 1888, questions 8264, 8265.

'We should lose, and lose heavily, if this change were adopted. We 'should not receive gold for the interest of this vast amount of debt which 'is owing to us all over the world.'—*Mr. William Fowler*, *ibid.* question 8473.

'I think that all gold debts are increased alike, although in the debt of 'India you see it at once. It has quite as much increased the gold debt 'of Australia. The real burden of the gold debt of Australia to-day is in-'creased as much as the real burden of the gold debt of India, or almost as 'much, only in one case the burden is disguised, and in the other case it 'is evident.'—*Mr. Hermann Schmidt*, *ibid.* question 8635.

'I have already pointed out that we are deriving great advantage from 'the present state, that we are getting all our debts paid in gold.'—*Mr. H. L. Raphael*, *ibid.* question 7027.

'The main fact of the whole question is that the Government of India 'and the taxpayers of India are obliged to pay as interest on the gold debt 'a very much larger sum than they did a few years ago.'—*Sir Evelyn Baring*, *ibid.* question 7086.

'I rather think that the foreigners pay 100,000,000*l.* a year now upon 'our investments, and other claims upon them. I should be very sorry to 'see that reduced in value by 10 per cent. or 20 per cent., or what not.'—*Lord Bramwell*, *ibid.* question 8866.

'We have gold claims over nearly the whole world, and those gold 'claims, if they were diluted by being brought into a bimetallic system, 'would become less effective by the difference between the power of the gold 'and the power of the blended gold and silver standard.'—*Lord Addington*, *ibid.* question 9578.

I have given the foregoing extracts to show that the question at issue on this point is now pretty clearly understood. The arguments of Chap. VI. of this work are in great part directed towards indicating the short-sightedness of the policy now advocated by Mr. Henry Raphael, Mr. T. Comber, Mr. William Fowler, Lord Bramwell, and Lord Addington. It is a policy which tends to drive the wealth-producing classes of the country into a community of interests with foreign nations and our colonies,

adverse to the interests of the money-lenders. Who now any longer doubts that the rising value of the gold pound sterling has been the chief cause of the recent Irish trouble which threatened to break up the empire? The rioting has, in fact, resulted in an average reduction of rent to the value of the silver pound sterling. The Land Courts have reduced the landlords' assets to the silver pound, but left their liabilities in the shape of mortgages and other fixed charges still standing in the gold pound!—*Note to the Fifth Edition*, 1888.

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CHAPTER I.

LORD LIVERPOOL'S OVERSIGHT AS REGARDS THE STANDARD OF VALUE, AND ITS CONSEQUENCES![1]

A LETTER addressed to King George III. by the first Earl of Liverpool was the prevailing influence which induced Parliament to abolish the double standard and to make the gold sovereign the sole representative of the pound sterling; and the present mint regulations, which were established by Sir Robert Peel's Act in 1816, are in exact conformity with the principles advocated by Lord Liverpool in that letter.

My present object is to point out an oversight made by the Earl of Liverpool; and also the very pernicious effects it has recently begun to produce.

To illustrate the oversight in question I will quote from Lord Liverpool's letter an extract in which his principal argument is clearly stated.

Lord Liverpool says:—

'Coins must bear a due proportion to the wealth and commerce of every country in which they are current. In former times it was found necessary gradually to

[1] A Paper read before the English Literary Society of Buenos Ayres on the 14th of June, 1882, in support of the following resolution: '*The* '*restoration of the Double Standard of Value, which was discarded in* '1873, *is desirable.*'

introduce into the currency of this kingdom, silver coins of a greater weight and value, in proportion as the wealth and commerce of it advanced. Thus pennies, halfpennies, and farthings were at first the only silver coins in currency. In subsequent periods, first shillings, and afterwards crowns and half-crowns, were coined, and for the same reason brought into currency. In like manner, when the commerce of the kingdom had increased to a certain extent, coins made of gold were first struck at the English mint, and introduced into circulation. It was natural that gold coins, as of less bulk and of greater value, should be so introduced, and should become legal tender equally with our silver coins; and, in proportion as our commerce continued to augment, that they should gradually take the place of the silver coins; and at length, when our trade had attained the very great degree of extent and splendour at which it has arrived in the course of the last fifty years, that they should become the principal measure of property.'

The oversight which Lord Liverpool seems to have made is that he does not appear to have perceived the intrinsic difference between the character of a change by which silver crowns displace silver pennies, and that by which gold sovereigns displace silver crowns.

By the changes from silver pennies to silver crowns the value of the silver of which the coins are made is not affected, and therefore the value of the standard unit remains unaltered. But the effect of a change in the coinage is very different when it is decreed that (except a small amount issued at a fancy valuation for

small change) silver coins are to be abolished and substituted by gold coins.

In the latter case the demand thus created for gold to supply the circulation which would otherwise be supplied by silver, gives gold a higher value than it would otherwise have ; and, therefore, the decree which substitutes gold coins for silver coins at the pre-existing ratio raises the value of the standard unit.

This principle, apparently overlooked by Lord Liverpool, I do not suppose anybody, whose attention has once been directed to it, can fail to perceive to be true in theory, however slight its practical effects might be. Before endeavouring to show to what extent the value of the standard unit has been raised by the abolition of the double standard, I beg to draw your attention to a special reason why any change in the standard of value ought at that time to have been strictly avoided.

For the above purpose I cannot do better than refer to the conversation which took place between the representatives of the International Congress for the Simplification of Coinage which met in Paris in 1867, and Mr. Goschen, then Chancellor of Her Majesty's Exchequer.

It was suggested by the above-mentioned Congress that the weight of the English sovereign should be reduced sufficiently to make twenty shillings exactly equal to twenty-five francs. This would be so slight a reduction that the suggested new sovereign would still be heavier than many of the sovereigns which, though worn by ten or twelve years of use, are nevertheless not so much worn as to cease to be of full legal-tender weight.

Notwithstanding the very slight amount of the suggested change, Mr. Goschen, representing Her Majesty's Government, replied that the reduction in the weight of the sovereign would constitute a breach of faith with the national creditor, or holders of the National Debt, and that, therefore, it could not be for a moment entertained.

I take the liberty of expressing my perfect sympathy with Mr. Goschen in his zeal for maintaining strict faith with the national creditor, and paying to him every farthing to which he is equitably entitled by the terms of the loan.

But the same National Debt which caused Mr. Goschen so zealously to refuse to allow of the slightest change in the standard of value, existed when the law was enacted which substituted gold for silver coins and thus changed the standard of value.

The simplest dictates of common sense tell us that if the slightest reduction of the standard of value constitutes a breach of faith with the national creditor, then it ought, with the same zeal, to be maintained that the slightest enhancement of the standard of value constitutes a breach of faith with the national debtor.

I now beg your attention whilst I endeavour to estimate how much the restriction of silver coinage has raised the value of the standard unit, thus increasing the *real* value of the debt whilst leaving its nominal amount unaltered.

The gold sovereign is at present worth about 15 per cent.[1] more than the market value of the silver pound in

[1] Since increased to more than 100 per cent.—*Note to this Edition, 1896.*

which the debt could be discharged but for the adoption of Lord Liverpool's system. Thus the National Debt of 750,000,000*l.* has been made equivalent to what would be the value of a debt of 862,500,000*l.* if the interest or capital could be discharged in silver of the relative value which actually rules in the market.

It must not, however, be immediately inferred from this that Lord Liverpool's system has made so great a real increase in the burden of the debt as 112,500,000*l.*; thus giving so large a bonus as that to the bondholders; for a part of the present difference might be due to a fall in the value of silver also caused by that system.

To arrive at a just estimate of the extent to which the value of our standard unit, and consequently the value of the debt, has been increased by the adoption of Lord Liverpool's views, it is requisite to estimate how much the absolute value of gold has been enhanced by that system.

For this purpose I now ask your careful attention in the first place to the following extract from the *Edinburgh Review* for April 1879. The reviewer says:—

'In this country, and generally, it has been taken for granted that there has been of late years an absolute depreciation of silver, and that gold is simply maintaining its old value. . . . A very different conclusion, however, was arrived at by the commission appointed in 1876 by the Congress of the United States. They maintained that there had been no depreciation of silver, and that the difference between the values of the two precious metals was owing to a rise in the value of gold.

'They reported as follows:— . . . . "In order to ascertain whether silver has fallen or gold risen since

1873, not relatively to each other, but relatively to all other things, a comparison must be made between general prices in gold and silver respectively, then and now. Such comparison would show that the purchasing power of gold has increased since then in all countries, and that the purchasing power of silver has decreased in none."

'Startling as this statement appeared at the time, there were even then many facts which tended to support the conclusion arrived at by the American Commission. . . . To say the least, silver had not fallen in value in India. And it is equally manifest that there had been a considerable diminution in the value of silver compared with gold. . . . There had been no depreciation of silver in India, but an appreciation of gold.

'The American Commission maintained that this state of matters was universal—in their own words: "that the purchasing power of gold has increased since 1873 in all countries, and that the purchasing power of silver has decreased in none."'[1]

[1] I give the following extracts from the evidence of the Gold and Silver Commission, 1888, confirming the above views as regards the value of silver, and showing also that it still fully maintains its value.

'*Mr. Chaplin.*—You admit, I suppose, what has been stated by a great number of witnesses in evidence, that the rupee in India still maintains its original purchasing power, whatever that may have been? Yes, I have no reason to think that it has very much changed.'—*Mr. Currie*, question 6771.

'*Sir John Lubbock.*—When you say that the rupee has not lost its purchasing power, you mean the relative value of the silver, i.e. of the rupee in India, has not fallen, while in this country, we having a gold standard, there has been a great fall both in silver and in wheat. If the wheat and the silver have both fallen 25 per cent. in this country, then the price of silver measured in wheat has suffered no diminution in this country any more than in India?'—Question 6850.

'In every country prices have fallen, but in India they have not,

To the views so clearly expressed throughout the article in the *Edinburgh Review* from which I have quoted I will add a short piece of evidence as a practical indication of a rise in the value of gold in England.

According to the Board of Trade returns the total

reckoned by her silver standard, as the depreciation of the rupee kept about pace with the fall in produce in gold currency countries.'—*Mr. Raphael*, question 6939.

'I only wanted to say that I think it is a very curious fact, and rather a difficult fact to understand, if the quantity of money is so important a factor in prices as it is said to be, that prices have not risen in India. Lately they have rather fallen according to the official figures, and yet silver is said to be in such excessive supply.'—*Mr. William Fowler*, question 7742.

'In India silver is in plentiful supply, but the price in silver of ordinary articles has gone down, not up.'—*Mr. William Fowler*, question 8387.

'If you look at the note issued by the Indian Government, you will see that it shows distinctly that there has been 10 per cent. fall of prices in India.' 'Between what dates?' 'Between 1873 and 1886.'—*Mr. J. Barr Robertson*, questions 6169, 6171.

These latter extracts tend to corroborate the suggestion in the text further on, regarding a tendency to a rise in the average value of gold and silver. The actual occurrence of such a rise in value is clearly indicated by the present evidence. The closing of the European mints against silver has prevented the supply of metal for money from keeping pace with the so-called over-production of other commodities; and also, by impoverishing a vast number of people, has tended to prevent the natural increase of demand from keeping pace with the natural increase of production, and thus prevented the easy absorption of that amount of production.

'Prices in India have not yet gone up, as Bagehot and other economists imagined they would do. In the course of time, if there is anything in economic science, prices ought to go up.'—*Sir Evelyn Baring*, *ibid.* question 7167.

Economists supposed prices would rise in India in consequence of the so-called depreciation of the silver currency of India. But the evidence now clearly shows that there has been no depreciation of silver, and that the derangement of the relative values of gold and silver since 1873 is due entirely to an appreciation of gold.—*Note to the Fifth Edition*, 1888.

value of British and Irish produce exported in 1872 was 256,250,000*l*. sterling, and in 1880 only 223,060,000*l*.

But the *Economist* of November 19, 1881, gives the relative value of the exports for those two years, *if calculated at the same prices*, as 220,490,000*l*. in 1872, and 258,520,000*l*. in 1880.[1]

This shows that there was an increase of 17 per cent. in the quantities exported, though there was an apparent fall of 13 per cent. in the total value exported. There was, therefore, a fall of 26 per cent. in the average prices of the exports; which is equivalent to a relative rise of 35 per cent. in the value of the pound sterling, by which the value of those exports is measured.

It seems almost self-evident that this change in nominal value must be in a great degree due to a rise in the absolute value of the pound sterling rather than to such a wholesale fall in the absolute value of the articles exported; and this conclusion can be corroborated in a very simple manner: for as the closing of the mints against silver would naturally *check* the coinage of silver more than it would *increase* the coinage of gold, it is evident

[1] The year 1880 is used for comparison only because when the Paper was written in 1882, the figures were the most recent available, but any other subsequent year would serve equally well for the argument, as would also the five or ten years before 1873 serve in the same manner to compare with any five or ten years after that date. The Final Report of the Royal Commission on Depression of Trade and Industry, dated 1886, par. 37, states: 'Our foreign trade in the year 1883, if valued at the prices of ten years previously, would have amounted to 861,000,000*l*. instead of 667,000,000*l*.' And further: 'The total falling off in the value of our foreign trade in the year 1885 as compared with 1883 was 82,678,577*l*. But if an allowance is made for the further fall in prices which occurred between 1883 and 1885, and which is estimated at from 10 to 12 per cent., the volume of trade will probably be found to have diminished but very slightly in those years.'—*Note to the Fifth Edition*, 1888.

that the refusal to allow silver the same unlimited coinage as gold has not only caused a relative rise of 15 per cent. in the value of gold as compared with silver, but has, at the same time, indisputably given to gold and silver coins jointly a higher average value than they would otherwise have, and almost certainly caused an absolute rise in that average value, by preventing the supply of coin from being equal to the increased requirements for it.[1]

Taking this latter effect into consideration in conjunction with the previous evidence, it seems indisputable that Lord Liverpool's system has had the practical effect of raising the absolute value of the pound sterling at least 15 per cent., and probably to the extent of 20 per cent. or more. At any rate, measured by our exports

[1] Mr. J. Barr Robertson estimates that whilst gold prices have fallen 31 per cent. since 1875, silver prices have in the same time fallen 9 per cent., and that a restoration of the double standard at the former rate of 1 to 15½ would show a fall of nearly 25 per cent. in the double standard prices, the supply of gold and silver jointly being insufficient to maintain the former level of prices.—*Royal Commission on Gold and Silver*, 1888, questions 6288-6294.

It is obvious that at least a part of the estimated fall of 25 per cent. in double standard prices is due to the closing of the mints against silver, and it seems not improbable that it is all due to that cause, either directly, by checking the production of silver, or indirectly, by restricting the demand for commodities.

Mr. Barbour.—Now, you have no doubt heard that statisticians have estimated the special demands for gold in recent years at about 200,000,000*l.* sterling?

Mr. T. Comber.—I have not heard it, but I am willing to assume it.

Mr. Barbour.—Assuming that figure to be correct, it would appear that the excess available supply of silver since 1870 has been very little more than one half the total amount of gold which was required to meet special demands?

Mr. T. Comber.—I have no doubt, if you have worked it out, it is so.—*Ibid.* questions 6635, 6636.—*Note to the Fifth Edition*, 1888.

as just shown, the rise was 35 per cent. between 1872 and 1880.

All this relative rise in the value of gold has by some been attributed to a real fall in the value of our exports due to diminished cost of production.

No definite reason is, however, given to show why the effect of any such diminished cost of production should chance to have begun to have effect just after the closing of the French mint against silver.[1] And besides this, a fall resulting from such a cause would not affect the argument now before us, which shows that at least 15 or 20 per cent. higher taxation is required to meet the interest on the debt than would be required if Lord Liverpool's system had not been established. That system changed the standard of value under which the money was borrowed, and has made it requisite for the debtor to pay more than the value due under the original compact: the change of the standard of value being

[1] That statement still, I think, stands good, as indicated by the following:—

Sir W. H. Houldsworth.—Do you not think, taking the whole trades of the country, the improvement in machinery was much greater between 1850 and 1873 than it has been from 1873 to 1887?

Mr. H. L. Raphael.—It is questionable.

Sir W. H. Houldsworth.—That is just the point, that the great improvement which lessened labour and increased quantity, was not rather made between 1850 and 1873, than between 1873 and 1887?

Mr. H. L. Raphael.—I think it has become more general of late years.—*Royal Commission on Gold and Silver*, 1888, questions 6959, 6961.

Even if it could be admitted that such diminished cost of production began to have effect only after 1873, it would still remain almost obvious that but for the closing of the European mints against silver the supply of metal for money would have been affected by the same diminished cost of production as other commodities, and would thus have sustained the former level of prices.—*Note to the Fifth Edition*, 1888.

equivalent to an increase of the National Debt, which, as above shown, may reasonably be estimated at not much less than 150,000,000*l.* sterling.

With a view to remedy the acknowledged evils of the present position, Her Majesty's Government now offer to bind themselves, by agreement with other nations, to keep the Indian mint open for the unlimited coinage of silver if a number of the principal States will bind themselves to keep their mints open for the unlimited coinage of both silver and gold. This is tantamount to a declaration to the effect that Her Majesty's Government will passively leave it to other Governments to decide whether those other Governments will or will not remedy the injustice done to ourselves by our own Parliament. For though the practical establishment of bimetallism at the former ratio, by any nation, would practically remedy that injustice; and the rejection of gold coins for silver coins by other nations might even make the gold pound sterling less valuable than the silver pound; the unlimited coinage of silver by the Indian mint (in the absence of such action by other nations) cannot have any effect on the absolute value of the gold sovereign, but must tend to increase the difference between the relative value of the gold sovereign and the silver rupee.

The peculiarity of the position is unique. The British Parliament first create an immense amount of debt under a certain standard of value; then, in a perfectly arbitrary manner, they change that standard of value. The change brings about an obvious and serious injustice to the British nation, to the benefit of the British bondholder, and acknowledged embarrassment

and heavy loss to the Indian Government. A restoration of the standard of value under which the debt was contracted forms an obvious remedy for these evils; and under these circumstances, Her Majesty's Government declare themselves prepared, by Indian legislation, to assist such legislation by foreign powers as may bring about a practical restoration of that standard of value, but they will not themselves legislate for its legal restoration in England.

The reason for this peculiar course seems to be a prevailing opinion that the restoration of the former equilibrium is more requisite for the benefit of India and some foreign nations than for that of Great Britain. This opinion results from a misunderstanding of the actual situation.

The Indian Government require an increased amount of revenue, because a part of their expenditure is payable in the pounds sterling which have been raised in value, and the Indian nation have therefore that extra burden laid on them. But their currency has not suffered the important change in value which the English currency has experienced; and though the extra amount to be raised by taxes causes embarrassment to the Government, it is not such as to form a great national calamity. In this India suffers in the same manner as England suffers by having to pay an increased value of interest on the National Debt. But, besides this, England has been involved in disasters by which India has not been touched; for the rise in the value of the English currency has not only insidiously created confusion by altering the value of all contracts, but has also disorganised trade and industries of all

descriptions, so that it is not India but Great Britain that has been the chief sufferer from the repudiation of silver.[1]

It was for some time asserted by many that bad harvests experienced some years back were the cause of the fall in the value of land, but whatever may have been *then* due to bad harvests, is it not *now* more reasonable to regard the fall in the money value of land and the difficulties experienced by tenants in paying their rents as further evidence of the increased value of the pound sterling?[2]

[1] The Bombay Chamber of Commerce in their report for 1886 say: 'While admitting the inconvenience of constant fluctuations in exchange, they are of opinion, after considering the question from all sides, that the fall in exchange leaves a balance of benefit to the commerce and people of India.'—*Royal Commission on Gold and Silver*, 1888, question 6520. *Mr. T. Comber.*

'The Indian nation, the masses, and the producer there, have gained by the fall in silver.'—*Mr. H. L. Raphael, ibid.* question 6739.

'The Government (of India) are greatly injured by the present price of silver, and official people are greatly injured; but the community, according to all evidence that I can find, are benefited by the present condition of things, and not injured in any way.'—*Mr. William Fowler, ibid.* question 8382.

'All that I have read seems to show that the fall in silver, so far from injuring the Indian people as a whole, has been beneficial. That was Mr. Cross's opinion, very strongly expressed in the speech he made in 1879 in the House of Commons, and I believe he never varied from that opinion; and it was agreed to by Mr. Goschen in the same debate.'—*Mr. William Fowler, ibid.* question 8445.—*Note to the Fifth Edition*, 1888.

[2] *The Decline in the Value of Agricultural Products.*

Gross values in Great Britain	Year 1885	Average of 1876-85	Average of 1866-75
	£	£	£
Wheat . . .	15,922,000	21,960,000	33,530,000
Barley . . .	14,901,000	16,994,000	18,964,000
Oats . . .	13,941,000	15,481,000	16,911,000
Beef . . .	12,048,000	22,872,000	21,544,000
Mutton . . .	28,284,000	21,596,000	22,136,000
Wool . . .	4,951,000	6,838,000	11,833,000
Total of above items	90,047,000	105,741,000	124,918,000

The average gross value in the past ten years of the enumerated articles

The simple reason for making only gold coins full legal tender in England is clearly given in the extract I have given from Lord Liverpool's work. But what are such considerations worth when weighed against those

was fully 19,000,000*l*. less than the average of the previous ten years, while the total for last year fell short of the earlier average by nearly 35,000,000*l*. Such an enormous fall has, of course, told very heavily both upon landlords and tenants.—*The Economist*, Dec. 11, 1886.

To the Editor of 'The Times.'—*The Times*, Dec. 13, 1886.

SIR,—It has been repeatedly asserted by members of Parliament and other supporters of the Parnell-Gladstone party that the reductions made by the Land Commissioners in Ireland under the Land Act of 1881 were not greater than those made voluntarily by landlords in England, and their statement was assumed to be a fact, and has been used to prove the justice of indiscriminate reductions in Ireland. At last the matter is cleared up. We have now a Government return, ordered by Sir George Balfour, by which it is proved that the rental of Great Britain was reduced between the years of 1876–77 and 1882–83 from 59,300,285*l*. to 55,841,857*l*., being about 6 per cent. reduction. In Devonshire, which resembles Ireland (both as regards soil and climate) more than any other county in Great Britain, the rent was reduced from 1,987,389*l*. to 1,975,266*l*., a reduction of little more than ½ per cent., while the reductions made under the Irish Land Act up to August 1882 were 19½ per cent., and since then they have considerably increased.

The excessive judicial reductions in Ireland are all the more remarkable from the fact that from 1840 to 1880 the rental of Scotland went up 49·5 per cent.; England, 23·5 per cent.; and Wales, 34·6 per cent.; while it is notorious that the rental of Ireland was lower in 1880 than it was in 1840.

If we take Wales and Scotland separately, according to Sir George Balfour's return, we find that between the years 1876–77 and 1882–83 the reductions in Wales amounted to about 2 per cent., and in Scotland a little over ½ per cent. Your obedient servant,

S. M. HUSSEY.

Estate Office, Tralee, Dec. 8.—*Notes to the Fourth Edition, Dec.* 1886.

The average reduction of rent in Ireland since 1873 is now admitted to be more than 30 per cent., and the reductions in Great Britain much greater than mentioned in the above letter.—*Note to the Fifth Edition*, 1888.

to which I have just alluded? Or what, indeed, are *any* considerations based on commercial convenience worth when weighed against the rights of the national debtor?

Lord Liverpool's oversight is made strikingly apparent by the fact that, throughout his long letter, he only once alludes to the question of the National Debt, and that when he makes this allusion he does so for the purpose of pointing out that the bondholders have no reasonable ground for objecting to the change from the double to the single standard. His Lordship does not appear to have noticed that though the national creditor had no reason to object to the change, seeing that it deprived him of no right which he previously possessed; the national debtor, on the other hand, had good reason to object, seeing that it deprived him of the right to pay in silver; and if it were not that the debtors were too ignorant to understand the value of the right of which Lord Liverpool proposed to deprive them, they would doubtless have made their voices heard in such a manner as to prevent the perpetration of the injustice. The glaringly one-sided character of Lord Liverpool's arguments on this point makes it almost appear that, though he was writing just after the close of the great war with France, he had not learned the lesson taught by the scenes of anarchy in which the French nation had been involved, in consequence of their nobility having been to a great extent imbued with the idea that no injustice could be done to the labouring classes, seeing that they possessed no right to be injured.

His Lordship was very careful to point out that his proposed measures could not injure the national creditor; and, having decided this point, he does not seem to have

thought it worth his while for a moment to consider whether those measures would or would not injure the national debtor. His arguments on this point are those of a special pleader for the enhancement of the value of the bondholder's property, and not those of a statesman endeavouring to mete out impartial justice between the nation, which had just been so heavily burdened with debt, and the nation's creditors, whose loans had brought a desperate war to a successful conclusion.

Those loans, which formed nearly three-fourths of the whole debt, had been issued at an average price of about 60 per cent.—that is to say, the nation acknowledged an amount of debt about 66 per cent. greater than the amount of capital received; and besides this the money was received in paper, which was then depreciated to an extent variously estimated at different times at from 10 to 30 per cent.; and, indeed, at one time estimated by some as depreciated to the extent of 50 per cent.

Neither the extent of this depreciation nor the price at which the loans were issued directly concerns my present argument. I allude to these points merely to show that if, at the close of the war, specie payments had been resumed under the same standard of value which existed before the war commenced, the bondholder would have been very handsomely rewarded for his patriotism. To the profit made on his depreciated paper he was fairly entitled, because at the commencement of the war specie payments were not *abolished*, but merely *suspended*, it being understood that the paper notes would be redeemed at par in case of a successful termination of the war. And to the profit made on the price of issue he was fairly entitled also, seeing that it

formed an explicit condition of the loan. But these enormous profits he would equitably have obtained by a return to specie payments under the standard which existed when those specie payments were suspended. The resumption of specie payments under the gold standard, instead of the double standard, changed the debt of 850,000,000 *pounds sterling* into a debt of the same number of *gold sovereigns*, which are worth 15 per cent. more than the silver pound sterling,[1] and, as before shown, at least 15 per cent., and perhaps 20 per cent., more than the pound sterling would be worth if specie payments had been resumed under the previously existing double standard.[2]

The same oversight is apparent throughout the historical portion of the letter, notwithstanding that we find in one of his paragraphs such well-judged statements as the following (p. 151). His Lordship says :—

'From the time when gold coins were introduced into currency . . . the pound sterling in tale represented a certain quantity or weight of standard gold, in like manner as it represented a certain quantity or weight of standard silver. . . . And from that time the gold and silver coins were in fact, as well as by law, equally the measure of property.' But his Lordship afterwards goes on to say :—

'It sometimes happened, however, that both gold and silver coins were, by various causes, alternately

[1] Now increased to more than 100 per cent.—*Note to this Edition*, 1896.

[2] The evidence published by the Royal Commission on Gold and Silver, 1888, tends to show that the pound sterling is now worth 40 per cent. more than it would be worth if Sir Robert Peel's Act of 1816 had not been passed.—*Note to the Fifth Edition*, 1888.

driven, in a great degree, out of circulation; and one of them remained in currency, and became in fact the principal measure of property.' Thus, Lord Liverpool says, the gold coins having been driven out of circulation:—

'From the year 1663 the silver coins became in fact the only principal measure of property.' And, in 1805, he says:—

'The gold coins are now become, in the practice and opinion of the people, the principal measure of property.'

His Lordship does not seem to have perceived that though at one of those epochs chiefly silver, and at the other chiefly gold, was in circulation in England, the two metals were nevertheless at all times jointly the measure of property, both by law and in fact; for debtors could suit themselves as to which metal they reserved for their home debts, and which they exported for their foreign debts. The one metal rather than the other being kept in circulation in England, instead of being exported, depended on the changes of the relative value given to the metals at the respective mints. The 'measure of property' was not sensibly affected by these changes of relative value, but remained the same double standard measure,[1] though the changing prices and

[1] 'I consider perfect exactness of ratio a matter of very little moment. If you adopt 18 to 1 you overvalue gold; but the only practical result, except at the instant of change, is that you contract the circulation of the world. If you adopt $15\frac{1}{2}$ to 1, then, even on the supposition, which I do not admit, that by this ratio you undervalue gold, the only practical result is that you re-expand the circulation of the world to the point at which it stood in 1873.'—*Henry H. Gibbs*, October 7, 1882, *Occasional Papers, issued by the International Monetary Standard Association*, No. 2, p. 3. A change from the ratio of $15\frac{1}{2}$ to 1 to that of 18 to 1 might, as a matter of theory, just as well cause an 'expansion' as a 'contraction' of the circulation; and, as a practical matter, the change, if it is to be effected, is

charges at the different mints made any given mint sometimes the best market for gold, and at other times the best market for silver. If every mint had been either only a gold mint or only a silver mint, then in some countries gold alone, and in other countries silver alone, would practically have been the measure of property, instead of the two metals jointly being the measure of property in all countries.

For these reasons, also, notwithstanding that the double standard was abolished by law in England in 1816, gold and silver nevertheless continued in fact to be jointly the measure of property; because, though the English mint coined only gold, the holder of silver could always get the equivalent of the silver pound in the gold pound as long as the French mint was an open and unlimited market for silver at that relative value. This continued to be the case until the French mint was closed against silver in the year 1873; and then, for the first time, gold and silver became two separate measures of property, and gold alone, instead of gold and silver jointly, became practically, as well as by law, the measure of property in England; and this sudden

more likely to result in expansion than contraction. Because, in the first place, this depends on the mode in which the change of ratio is effected; if this is done by changing the weight of the silver coins, then there will be contraction; but if by changing the weight of the gold coins, then there will be expansion. And, secondly, if such a change of ratio should be determined on, the French mint would be much more likely to change the weight of the gold than of the silver coins, as I have suggested farther on in this chapter. The change of ratio would affect the standard unit in each country according to the mode in which each country effected the change of ratio, but it would not affect the standard of value itself. This is intrinsically the same question as that which I have pointed out as not having been understood by Lord Liverpool.—*Note to the Third Edition*, 1883. See Index, heading, *Change of Ratio*.

alteration of the measure of property almost immediately brought about a fall in the money value of land, and also, as before shown, of the aggregate of the money value of our exports; whilst, at the same time, fixed amounts in money, such as land rents and the National Debt, were enhanced in value.

As Lord Liverpool did not perceive that though at one of the epochs alluded to by him silver was chiefly in circulation and at the other gold, the two metals were nevertheless at both epochs jointly the 'measure of property'; he therefore overlooked the fact that the abolition of the silver pound would naturally tend to enhance the value of the gold pound.

It was because the members of the Paris Conference of 1867 were not conscious of the oversight made by Lord Liverpool that they began the propaganda for the general repudiation of silver, and the extension of the gold standard to all countries. The German Government soon afterwards removed the question from the domain of theory, by initiating the practical application of the views advocated by the Paris Conference.

The late Mr. Ernest Seyd and perhaps not more than half a dozen other bimetallists stood at first alone as opponents of the course advocated by the Paris Conference, regarding which I remarked when addressing you on this subject, two years ago:[1] 'No such gigantic, bold, and mischievous injustice has ever before been attempted in the history of the world.' I am glad to say that there is not now the vestige of a chance of the attempt to perpetrate that injustice being continued. For the victory of the bimetallists on that

[1] July 1880; see Chapter VI.

point has been complete, and the course advocated by the Paris Conference has now no defender. The repudiators of silver are completely defeated as regards the question of any further repudiation, and the question now at issue is as to whether silver is to be restored to the position it held before the first act of repudiation was effected by the British Parliament, under the advice of Lord Liverpool.

The rapid and complete collapse of the repudiators on what is really the main point, has brought about an all-important change in the practical position of the question, which does not appear to have been as yet clearly recognised by either party.

For it was the prospect of further attempts to repudiate silver that caused the French mint to be closed against it. But now that that prospect has vanished, the French mint might at any moment resolve to abandon any further attempt to restore the former rate between silver and gold, and reopen for the unlimited coinage of silver, in exactly the same coins as are at present current, sharing with the holders of French gold coin the profit on its recoinage at a new ratio in respect to silver.

Creditors on all current contracts would have the legal right to insist on payment in silver rather than in gold at the new rate of issue; but on all subsequent contracts both gold and silver, at the new rate of issue, would be equally legal tender. This would not deprive either debtors or creditors of any right they at present possess. And the consequent fall of the French currency in the foreign exchanges, which would follow such recoinage of gold, and which would be no loss to the

country in general, would merely constitute a return to the intrinsic values represented by the quotations of exchange before the gold coins became enhanced in value by the closing of the mint against silver.[1]

As regards purely theoretical principles, the course I have suggested for the French mint would not intrinsically differ from what has occurred over and over again, on a smaller scale, in the practical working of the double standard ; and, by that course, the double standard of gold and silver would again practically become the measure of value in all countries, though some might continue to have the gold, and others the silver standard, established by law.

That France, and other recently bimetallic countries, to avoid a greater trouble, will resort to some such course as that just indicated, if the question should be allowed to drift much longer, I have no doubt. And one important reason why England should take the initiative in such a manner as to prevent such a new rate between gold and silver from being permanently established, is to be found in the fact that 1,858 grains of standard silver are legal tender for each pound sterling of the National Debt under the terms on which that debt was contracted, whereas such a new ratio would make the gold sovereign, which is now the only representative of the pound sterling, worth permanently much more than 2,000 grains of standard silver. In this

[1] The Silver Party in the United States consider it probable that the sole action of that country in reopening the mint to silver at the ratio of 16 to 1, would bring the market values of silver and gold to that ratio ; but propose, in case of this former par not being re-established, to reduce the weight of the gold coins on the principle above pointed out.—*Note to this Edition*, 1896.

manner a Gordian knot would insidiously be formed in our national finances, and would become an increasing source of contention.

It is not yet too late to prevent the binding of such a knot. But if once the recoinage should be undertaken by France, then international commerce will be just as well served by the double standard under the new ratio; but our own finances in England will be involved in a difficulty of which it is impossible to foresee the issue.

Prominent in the ranks of the monometallic party stands Lord Sherbrooke, who, in a recent number of the *Nineteenth Century* Review (1882), candidly tells us that he does not know what bimetallism is. But Lord Sherbrooke forgets that, some years ago, when he was Mr. Lowe, and Chancellor of the Exchequer, he told us that, in advocating the double standard, we did not say what we meant, and that what we really meant to advocate was an alternative standard. Thus, some years ago Lord Sherbrooke not only professed to understand what bimetallists want, but professed to understand it better than we do ourselves. The fact is, however, that Lord Sherbrooke confuses alternations of gold and silver currency with alternations of the standard of value, Lord Sherbrooke, like Lord Liverpool, not understanding that all alternations of currency before 1873 took place under the same double standard of value, as I have endeavoured to make apparent in this paper.

The term Double Standard is the natural and most correct expression that can be used for our purpose. What we want is the double standard of value which practically existed from time almost immemorial up to the year 1873.

Necessity will re-establish that standard at a ratio inconvenient to us if we do not re-establish it at the ratio which was disturbed in 1873. And we merely want Parliament to re-establish by law at a convenient ratio the standard which will otherwise restore itself, in spite of us, at an inconvenient ratio.

Among the recent accessions to the cause of bimetallism is Mr. Grenfell, the Governor of the Bank of England, who has evidently been led over by practical considerations of commercial convenience, not having been an advocate of the double standard when it was a subject of purely theoretical disquisition.

On this account Mr. Grenfell says that 'to recognise the standard of value in international exchange is more important than to regard it in its relation to interior currency:'[1] as if it were possible to have an international standard which was not also the standard of the interior currency of each of the nations included under the term international. A little reflection will, I am sure, induce Mr. Grenfell to admit that the double standard of gold and silver cannot be maintained by any nation without becoming also the standard of value of the interior currency of all nations who have either a gold or a silver currency, whether those nations may be conscious of the fact or not; and the double standard becomes the international standard simply because it is the standard of value in the interior currency of each nation. They have an international standard because they all have the same standard practically though not by law.

On this same principle also, if, before the repudia-

[1] *Nineteenth Century* Review, May 1882.

tion of silver, platinum had been made unlimited legal tender by any nation retaining also either gold or silver in its circulation, then, not only the international standard, but also the standard of the interior currency of each nation, would be a treble standard dependent on the combined value of gold, silver, and platinum, and not on that of any one of those metals alone. The paramount objection to the legal establishment of a platinum standard in England is the fact that such a law would constitute a breach of faith with the national creditor exactly similar to the breach of faith with the national debtor which was caused by the parliamentary repudiation of the silver standard in 1816.

It has become an acknowledged truth that a double standard has greater fixity of value than either a gold or a silver standard, and it must become acknowledged that any international standard is also, of necessity, the interior standard of each nation.

Such a change of ratio in the double standard as might cause no perceptible change of its value might nevertheless cause a great change in the standards of those countries that had only the gold or only the silver standard established by law. But no change in the international standard can be effected without at the same time changing the value of all the interior standards; and, therefore, if an international standard exist at all, it will of necessity have at least as much fixity of value as the legal standard of the interior currency of any individual nation.

It follows from this that a double standard country may retain the fixity of its standard whilst causing sudden and enormous changes in all monometallic

standards, by changes of ratio made requisite for the maintenance of its own standard. Thus monometallic countries are subject to an influence of foreign legislation which they cannot themselves exert abroad. And the greatest fixity of value in an interior currency is to be obtained by admitting into the circulation whatever metal may be unlimited legal tender in any other country, thus making the international standard both by law and in fact the interior standard.

If all nations but one were monometallic, and each with a different metal, then the one country could make a profit by keeping its mint open for the coinage of all those metals at changing ratios, and thus establish an international standard which would also be its own standard, and might retain a constant fixity of value whilst all other countries had their standards subjected to constant fluctuations of value.

The error made by the Paris Conference in advocating the repudiation of silver seems to be generally understood. But it is not fully recognised that the Conference might have achieved a *practical* simplification of coinage under the double standard at the ratio of $15\frac{1}{2}$ to 1 between silver and gold; and, for the purpose of making that ratio *absolute*, they ought to have advocated the legal extension of the double standard, by showing it to be for the self-interest of individual nations to make their legal standard conform itself to the standard which had established itself in practice.

But even without any legal extension of the double standard the object of the Conference would have been gained, seeing that whilst France maintained the

double standard the relative value of gold and silver coins throughout the world did not vary more than that of gold coins themselves in the international exchanges.

Not only is international legislation unnecessary for the purpose of establishing an international standard, but such legislation would be a practical evil, as it would almost necessarily be based on an agreement making it obligatory for each nation to continue the extravagant system of free as well as unlimited coinage, though there has ceased to be any sufficient reason for giving a bounty on gold and silver mining, in the shape of free coinage, rather than a bounty on iron mining, in the shape of free fabrication of useful instruments of that material. Gold and silver would flow to the mint quite fast enough without any such bounty.[1]

Some, indeed, of the leading members of the International Association for Free Coinage of Silver no longer advocate free coinage in its historical sense, and by the term *free coinage* they no longer mean, as formerly, *gratuitous* and unlimited, but only *unlimited coinage*. It has not, however, yet been shown how the many indirect methods of making charges or of

[1] 'No valid reason can be alleged why the owner of gold bullion should have it manufactured for him gratuitously into sovereigns or half-sovereigns, rather than that it should be gratuitously manufactured for him into dessert-spoons or teaspoons. The *Economist* newspaper (March 3, 1883), referring to this subject, shows distinctly that the fact that our gold coinage is gratuitous has hitherto had apparently no effect on the import of gold into this country.'—*Quarterly Review*, April 1883, pages 499 and 500.—*Note to the Third Edition*, 1883.

Part of the remainder of this chapter was added in the *Fourth Edition*, and is partly a repetition of the arguments in the Preface to the *Third Edition*, pp. 35 to 38.

allowing premiums are to be controlled by any international legislation.

Lord Liverpool's reasons for free coinage are to the effect that, if any charge were made for coining, the measure of property would not in such case be perfect, and that the weight of the coins would have to be diminished to pay for the coining. And the International Association advocated free coinage of silver under the influence of the prevailing opinion on the subject expressed by Lord Liverpool, and in accordance with former practice in England from the time of Charles II.

The fact is, however, that the standard of value is not affected by the question as to who is to pay the cost of coinage. Nor is there the slightest necessity for the mint to change the weight of the coin because the cost of making it is to be paid by importers of bullion instead of by Government.

If the English mint were now reopened, without international treaty, for the coinage of silver at the ratio of 15½, it would of course get what profit it could on the present market value, which would soon cease to show the existing margin for profit, or else yield the Government a large and continuous income.[1] And even if, instead of being so reopened, untrammelled by international treaties fixing its course of action, it were reopened to silver under an international treaty binding it, together with the other mints under the international bond, to a joint course of action, even so, a fixed charge established by treaty, even if only sufficient to cover the actual cost of coining, without leaving any profit to the

[1] See Index, heading, *Practical Course*.

Government, would form a check on any superfluity of coinage beyond the wants of commerce.

It is unfortunate that the prominent promoters of bimetallism in England began their recently organised agitation under the influence of two theoretical mistakes, namely, the idea that international legislation is requisite for the establishment of an international standard of value; and that *free*, in the sense of *gratuitous*, coinage of silver is requisite for the maintenance of the double standard. It is also, I think, unfortunate that they oppose independent action on the part of England, under the idea that the restoration of the double standard by the British Parliament at the recent ratio of $15\frac{1}{2}$ to 1 would result in the exclusion of gold coin from England. The effect of such a measure is a purely practical question, to be judged by the condition of the currencies and the interests of other nations; and I have always contended that, if England moves in the matter before the French mint undertakes to issue gold and silver at a new ratio, we may, without any international treaty on the subject, make silver crowns as well as gold sovereigns unlimited legal tender, in full assurance of the action of such a measure being supported by the French and American mints for their own convenience. It is not likely that those mints would stand idle to allow our mint to realise a profit of 20,000,000*l.* or that they would force silver on the market so as to make that profit 50,000,000*l.*

But, whatever may be our opinion on this point, I beg to impress on you the fact that the existence of our National Debt makes the coining of silver a question of right and justice, against which the question as to the

comparative convenience of a gold or a silver currency ought not for one moment to be weighed in the balance. And, in conclusion, I express the opinion, which is shared in by all who advocate bimetallism, to the effect that our wealth and prosperity are not in any manner due, as many suppose, to the establishment of our gold standard of value, but have rather been achieved in spite of the establishment of that standard. We are, indeed, convinced that that wealth and prosperity would be greater than it now is if the 'ancient standard of the realm' had not been tampered with in the manner advocated by Lord Liverpool.[1]

[1] Whilst this (the third) Edition has been in the hands of the printers, Mr. Crump has published a letter, in the *Economist*, May 19, 1883, attacking the views expressed by Mr. Goschen in his recent Address to the Bankers' Institute, 'On the Probable Results of an Increase in the Purchasing Power of Gold,' and Mr. Crump concludes his letter as follows:—

'It would appear, then, from the evidence here adduced, that Mr. Goschen has been too hasty in attributing the fall in prices during the last ten years to an appreciation in the value of gold; that the fall is not to any material extent attributable to such appreciation, but that it has been the result of other causes to which I have referred.'

The extract which I have given, at the end of Chapter III., from Mr. Crump's previous work, admits a sufficient appreciation of the value of gold for the purpose of my argument on that point. And besides this, Mr. Crump's writings do not touch the main points of my argument.—*Note to the Third Edition*, May 26, 1883.

If, for the sake of argument, we suppose Mr. Crump to be right in attributing the fall in prices, not to an appreciation of gold but to a depreciation of commodities in general, resulting from other causes, we should then be driven to the conclusion that the extra demand for gold, caused by the closing of the mints against silver, has merely prevented gold from depreciating more or less together with the average of all other commodities; and, even by that argument, the fall in gold prices would be due to the closing of the mints against silver. We have, however, now clearly before us the fact that since 1873 gold has risen 40 per cent. in relation to silver, and at least 40 per cent. in relation to the average of all other commodities, and that relative rise is, for all practical purposes, an

absolute rise, seeing that gold actually commands so much more of other commodities than it did before. A fall in the gold *price* of wheat may result from either a fall in the value of wheat, or a rise in the value of gold. But a fall in the *value* of wheat cannot be measured otherwise than by a fall in the ratio which the price bears to the average of prices, including the price of wheat itself; or, in other words, its fall in relation to the average price of all commodities. I see no escape from that argument or the converse, making a fall in the average of prices the only possible measure of a rise in the value of gold; and if so, then to say that the average of prices has fallen, or to say that the value of gold has risen, are merely two different ways of stating the occurrence of the same phenomenon.—*Note to the Fifth Edition*, 1888.

CHAPTER II.

THE POUND STERLING: ITS HISTORY AND CHARACTER.[1]

Quis talia fando temperet?

THE *Nineteenth Century* Review for June, after propounding the question 'What is a Pound?' seems inclined to answer, as I did before the Literary Society last year, to the effect that it is either 1,718 grains of silver or 113 grains of gold, at the option of the debtor; and, though I am at present exiled from England by the

[1] This history was published in Buenos Ayres in 1881 in support of the argument given in Chapter VI.

The following extract from a leading journal, and more especially the part I have italicised, is worthy of careful consideration in connection with the history of the pound sterling:—

'Any one who has studied the administration of England during the great French war, and the period which was its sequel, will pause before condemning the influence of Cobbett, if not the man himself, too uncompromisingly. *It was a period of pretences, and subterfuges, and hypocrisies.* The rulers ruling under one title exercised powers that title was never meant to cover. The "Political Register" had its birth in a period when *they who were supposed to represent the British people represented either Downing Street, or a score of borough-mongering peers, or a heavy balance at their bank.* Wages were a species of poor rate, and the poor rate a form of wages. The criminal law was a lottery, in which the least guilty might draw the penalty of the most atrocious outrage. *Finance was reduced to mere jugglery!* and, lastly, Lord Castlereagh was transplanting the principles of foreign despotism into English soil.'—*Edinburgh Review*, April 1879, pp. 497-8.—*Note to the Third Edition*, 1883.

hostility of the professional philosophers, who cannot forgive a merchant's clerk for having become the discoverer of the action of astral gravitation, and for having, by means of that discovery, corrected the fundamental error which pervades what they have for two centuries been teaching as the 'Laws of Motion,' I will not on that account refrain from continuing to take part in the discussion of this, the most important question which thoughtful men are now endeavouring to make politicians understand.[1]

I approach the subject in a tone of 'moderation,' not because I think that those who clearly understand its importance ought at this time to be moderate in the expression of their opinion, but because I cannot readily command, for the discussion of what are now to me stale truisms, the 'zeal and enthusiasm' with which nearly a quarter of a century ago I denounced the injustice of the standard of value which was established in 1816, and denied the right of Parliament, under then existing circumstances, to alter the 'ancient standard of the realm.'

The sovereign, which is at present the only legal

[1] At the Bimetallist Meeting held at the Mansion House this year (1882) the Lord Mayor on opening the proceedings expressed an opinion similar to that I have expressed above; declaring this to be the most important question of the age. On the other hand, the *Times*, in a leading article on Nov. 16, 1881, soon after reviewing the above, in the First Edition, declared, not that the Currency Question but the Land Question is 'the most important subject which can now engage the attention of the men of politics or the men of science'; and ignored the possibility of the difficulties between landlord and tenant being in any manner connected with the Currency Question. The writer of that article perhaps does not know that any change of the standard of value occurred in 1873.—*Note to the Second Edition*, 1882.

representative of the pound sterling, is a quite modern coin; and it does not, as regards weight, or value, or metal, or in any respect represent the original pound.

The pound sterling, divided into 240 pence, is the oldest measure of value known to have been in use in England; and it originally consisted of a troy pound weight, or 5,760 grains[1] of standard silver. The silver penny then weighed 24 grains, and served as a measure of the penny weight.

When the Saxons established themselves in England they introduced the use of the Saxon pound, which weighed only 5,400 grains; and this, which became known as the Tower pound, continued to be used at the mint in the Tower of London until the reign of Henry VIII., when the use of the troy pound was resumed.

As the penny continued to be the 240th part of the pound, the Saxon pennies weighed only $22\frac{1}{2}$ grains each, and therefore ceased to represent the full penny weight; but the pound sterling continued to be represented by the quantity of standard silver equal to the pound weight in ordinary use.

Throughout the reigns of the Saxon kings, and up to the beginning of the fourteenth century, the pound sterling, both in England and in Scotland, preserved its

[1] The troy weight (says Mr. Davies Gilbert, late President of the Royal Society) appeared to us (the Commissioners of Weights and Measures) to be the ancient weight of this kingdom, having, as we have reason to suppose, existed in the same state from the time of St. Edward the Confessor; and there are reasons, moreover, to believe that the word Troy has no reference to any town in France, but rather to the monkish name given to London, Troy Novant, founded on the legend of Brute. Troy weight, therefore, according to the etymology is, in fact, London weight.—*J. R. McCulloch.*

original character as representing a pound weight of standard silver, though there appears to have been some confusion between the use of the troy pound and the Saxon pound. It is supposed by some that both these were in use at the same time, both as measures of value and as measures of weight.

Edward I. first tampered with the standard of value in England. In the year 1300 he appropriated 3*d.* from each pound, and, by paying out light coins, made the pound sterling cease to represent a pound weight. Soon after this Robert Bruce took 1*s.* from each pound sterling in Scotland. And the example of these kings was followed by some of their successors, more especially by Henry VIII. in England, and James VI. in Scotland, to such an extent that at the beginning of the seventeenth century a pound weight of silver was coined into thirty-six pounds sterling in Scotland, and into three pounds in England. Henry VIII. had not only issued light coins, but he also debased the quality of the silver. Queen Elizabeth, however, soon afterwards restored the English standard to its original purity; but to compensate, or partially compensate, for this restoration of quality, issued 3*l.* 2*s.* instead of 3*l.* for a pound weight.

Thus, when James VI. of Scotland succeeded to the throne of England, the quality of the standard silver was the same as it has been from before either the Norman or the Saxon Conquest to the present day, excepting the seventeen years during which Henry VIII.'s spurious coins were legal tender: and the pound sterling consisted of 1,858 grains of that standard silver. This English standard was then extended

to Scotland, displacing the Scotch sterling, which had become not only much lighter in weight, but also greatly debased in quality. Soon after this the Funding System was established, and this method of raising money put an end to further depreciations; for it was evident that money would not be lent to the Government to be repaid in depreciated coin.

The first amount of debt was incurred by William III., who borrowed 16,000,000*l.* sterling at interest, and defeated James II., who issued copper instead of silver coins for the payment of his troops. The triumph of William put an end to the system of raising money by the issue of depreciated coin, and inaugurated the Funding System in its place.

Whilst the above-mentioned loan was raised by William, and a further amount of 36,000,000*l.* sterling by Queen Anne, a considerable amount of gold was in circulation in England, though only silver was current at its legal tender value. The creditor had the option of refusing the gold guinea at its current valuations of 30*s.* to 21*s.* 6*d.*: its legal tender value being 20*s.* But in 1717 the practical position of gold became legalised. The gold guinea, which was legal tender for 20*s.*, and which the law did not then allow the creditor to receive for more than 22*s.*, was in circulation at a conventional value of 21*s.* 6*d.* In December 1717 the value of this coin was restricted by law to 21*s.*; and in May 1718 it was made legal tender for that same value. In this manner the legal tender value and the current value of the guinea both became established at 21*s.* The immediate object of this measure was to prevent the exportation of silver coin which was then going

on.[1] It was hoped that the legal value of 21*s.* given to the guinea would prevent creditors from receiving it at its conventional value of 21*s.* 6*d.*, and would thus cause the gold instead of the silver coin to be exported. As regards this purpose, the measure was only partially successful, but it achieved the more important object of legalising the position of gold as part of the currency of the kingdom. The gold and silver, or double standard, had prevailed in practice from the reign of Henry III., when gold was first coined in England, though gold was not always legal tender, and when declared legal tender was not always current at its legal tender value until 1718; but from that date both gold and silver became current at their legal tender values, thus definitely establishing the double standard both by law and in fact, and keeping the relative value of the metals in the market under the control of this double standard valuation.[2]

Under the standard of value legalised as above mentioned, the amount of the debt continued to increase with each successive war in which we were

[1] 'If gold,' said he (Sir Isaac Newton), 'were lowered only so as to bear the same proportion to the silver money in England, which it has to silver in the rest of Europe, there would be no temptation to export silver rather than gold to any other part of Europe.'—*Emile de Laveleye, International Bimetallism, an Address before the French Institute, Paris, May* 10, 1881. Edited by Frederick Ash, December 1881, p. 24.

[2] The Double Standard thus established governed the market value of the metals until 1873, being in the meantime subjected to the change from the English to the French ratio. In 1873 the standard whose position was acknowledged and facilitated by Newton and Bonaparte, became deranged by the arbitrary action of Lord Liverpool and the Paris Conference of 1867. For authority on the above points see Index, heading, *Legal Tender of Gold.—Note to the Second Edition,* 1882.

engaged; until at the commencement of the American War of Independence it amounted to 128,000,000*l.* sterling.

That unfortunate nine years' war added 121,000,000*l.* sterling to the debt; and nine years after the conclusion of that disastrous war, we commenced the great war with France, which was merely a sequel of the American war, which had originated in the narrow-mindedness and incompetence of our own Government, and which in the course of twenty-two years added, *horresco referens*, a further amount of 600,000,000*l.* sterling to the debt.

Thus in 1816 the debt amounted to 850,000,000*l.* sterling, each of which was, by the terms on which it was borrowed, either 1,718 grains of silver or 113 grains of gold, at the option of the debtor;[1] but Parliament then decreed that the debt, which had been borrowed with the right of payment in silver, must be paid in gold; for they closed the mint against silver, except for the coinage of a limited amount issued at an enhanced value for small change, and declared gold the only legal tender for the pound sterling; the mint being open for the unlimited coinage of the gold 'sovereign.'[2]

[1] Whilst the first 52,000,000*l.* of debt was incurred it did not suit the debtor to pay in gold, except at a conventional valuation higher than the above relative value. But from the very commencement of the Funding System, until the year 1816, he always had the legal right of paying either in silver or in gold at his option, though the legal ratio varied somewhat from the above before 1717 and differed from the ratio in usage.—*Note to the Second Edition*, 1882.

[2] The name of sovereign was first given to a 20*s.* gold coin in the reign of Henry VII. New sovereigns were coined by Henry VIII., and again by Queen Elizabeth. The 20*s.* gold coin was subsequently called a laurel, and afterwards, in the reign of Charles II., a guinea, which latter,

Now if Parliament had a right to pass such laws as above mentioned, then it has just as much right to open the mint for the free coinage of copper and to declare 240 copper pennies to be legal tender for the pound sterling. As the money was borrowed with the right of paying in either silver or gold, it was just as improper to deprive the debtor of the right to pay in silver as it would have been to grant him the right to pay in copper as well as in silver or gold. It certainly was quite right that further debasement of the currency should be prevented after the establishment of the Funding System ; but, if it be unjust to make a change in the value of the pound sterling in favour of the debtor, then it is also equally unjust to make a change in favour of the creditor.

The historical summary I have just given shows that before the Funding System was commenced, the currency was frequently tampered with by successive governments, who issued depreciated coin as a means of raising money. The interests of the bondholders had, however, the beneficial influence of preventing any further debasement of the coin ; so that from the beginning of the Funding System up to the year 1816 no change was made in the standard of value. Then, however, we find Parliament passing a measure with a tendency not to depreciate, but to enhance, the value of the pound sterling.

though legal tender for 20*s.*, was current at rates varying from 30*s.* to 21*s.* 6*d.*, until, in 1717, its value became fixed both by law and usage at 21*s.*, as above mentioned, and remained so until 1816 ; after which it was, together with the silver coinage, supplanted by the gold sovereign issued by George III., in accordance with the suggestion of Lord Liverpool, which has become the *fons et origo malorum.—Note to the Second Edition*, 1882.

I have, in the essay published last year,[1] explained that I do not for a moment suppose that the majority in Parliament passed that measure with the wilful intention of defrauding the debtors. Let us, however, suppose that, instead of a measure having been brought before Parliament proposing to close the mint against silver, and to make gold the only legal tender, a proposition had been made to open the mint for the free coinage of copper and to make 240 copper pennies, as well as four silver crowns or one gold sovereign, legal tender for the pound sterling. Setting aside all questions of convenience, would not the bondholders immediately have perceived that such a measure would be a gross injustice to them? And would they not boldly have denied the right of King, Lords, and Commons to perpetrate so barefaced a 'swindle'?[2] And yet what distinction is there, when viewed as a mere matter of justice, between an Act which deprives the debtor of the right of paying in silver, to which right he was entitled by his agreement with the creditor, and an Act which entitles him to pay in copper, in which he was not entitled to pay by his agreement? The only distinction is that the suggested right to pay in copper would be an injustice to the creditor; whereas the withdrawal of the right to pay in silver is an injustice to the debtor.

No such Act as the suggested right to pay in copper, nor any Act tending to depreciate the pound sterling, has had any chance of being passed in Parliament since the establishment of the Funding System, simply

[1] July 1880. See Chapter VI.

[2] See extracts from McCulloch, specified in the Index.

because the chief representatives of the bondholders are bankers, merchants, and capitalists who have sufficient knowledge and influence to protect their just interests; whereas the chief representatives of the debtors are labouring in the fields, in the factories, or in the mines; and as the Government of the day either had not the patriotism or power to defend their just interest, or else did not properly understand the influence of the measures which deprived them of the right to pay in silver, the debtors have been defrauded by Act of Parliament. The compact between debtor and creditor has been broken in favour of the latter by a Parliament in which the influence of the bondholders was in the ascendant; and, if this act of injustice be not quickly repaired, how will the bondholders be able equitably to complain if ever a Parliament, in which the influence of the debtors may be in the ascendant, should order them to accept their pounds sterling in copper or in paper?

Let us take a purely practical view of the consequence of the law passed in 1816.

Up to the year 1873 the silver continued to be worth as much as the gold pound sterling; with the former the debtor could purchase the latter at par to pay the creditor, and therefore the obligation to pay in gold was no practical loss to him. In that year, however, the German Government, having decided to change their silver for gold coins, became large purchasers of gold. Now, if the English debtor had not been deprived of the right to pay in silver, then, as the English market sold gold in consideration of the premium which Germany chose to pay for it, the silver with which Germany bought the gold would have supplied the place of the

latter without any fall in its absolute value. Debtors and creditors in England would not have been affected, but the holders of gold would merely have gained the premium which the German Government was pleased to pay for it. Instead of this being the case, the law of 1816 had made it a necessity for the English debtors to have gold with which to pay their debts ; and therefore this double demand for gold enhanced its value and made silver a comparatively useless metal.

To illustrate the principle involved in this question, we may roughly estimate that the action of Germany in withdrawing 100,000,000*l.* sterling from a stock of 800,000,000*l.* sterling enhanced the value of each remaining unit 14 per cent., making the English National Debt of 750,000,000*l.* sterling equal in value to what a debt of 855,000,000*l.* sterling would otherwise be ; whereas if the English mint had been open for the coinage of silver, as the conditions under which the National Debt was received require that it should be, then silver would have supplied the place of any gold withdrawn from England for recoinage in Germany, and the relative interests of the English bondholder and national debtor would not have been affected by the German demand for gold. It is simply because the English law of 1816 has deprived the debtor of the right to pay in silver that the action of the German Parliament has had the effect of increasing the burden of the English debt. Roughly speaking, an extra burden of 100,000,000*l.* sterling has been placed on the shoulders of the British taxpayer, just because Lord Liverpool and his colleagues in 1816 fancied a gold to be better than a double standard and had not sufficiently clear financial know-

ledge to enable them to understand the injustice they were committing when depriving the debtor of the right to pay in silver.

Courtesy requires us to assume that the lords and gentlemen who voted with the majority in 1816 had not sufficient financial knowledge to enable them to understand the character of the laws they passed, for I cannot for a moment suppose that they deliberately intended, in an insidious and underhand manner, to increase the value of the bondholders' property to the detriment of the already heavily burdened taxpayer.

Not only does the simplest principle of justice require that the English mint should be opened for the coinage of silver, seeing that under the conditions on which the National Debt was received silver is as true a legal tender as gold for the pound sterling, but also the welfare of the British Empire urgently requires that act of justice and equity. For the crotchet in favour of gold, by which we charitably assume that British statesmen were actuated in 1816, has not only spread to Germany, but other countries also, with circulations of inconvertible paper and attempting to return to metallic money, are possessed by that same fancy; and it would be quite possible for the growth of such a crotchet, spreading like a contagious and dangerous disease, in the course of a few years, to double the value of gold. The British taxpayer is therefore to this extent at the mercy of foreign legislation, which, by resolving to have gold rather than silver for circulating medium, may double the burden of the English National Debt as truly as if under the real terms of the debt a new loan of 750,000,000*l.* sterling were raised by the British

Parliament. And the bondholder would get this increased value of stock not for value given or lent to the nation, but as a gratuitous bonus on his bonds.

Apart from the simple question of justice, is it desirable that the relative interests of the British bondholder and taxpayer should be in this manner dependent on foreign legislation? And is it possible for the country to stand the increase of taxation which, under our present unjust standard of value, might be laid on it by such foreign legislation? Our present national income is not quite easily raised. The national expenditure is jealously watched, and in the estimates for the army and navy every item is trimmed down to a minimum. It is evident that even now the requirements to meet the interest on the National Debt are damaging the efficiency of the army and navy; and how, then, is the position of the empire among nations to be sustained if those services are allowed to be still further crippled by wholesale and gratuitous augmentations of the burden of the debt? The dread of expenditure has not only been one of the chief causes of the rebuffs and reverses sustained in Asia and Africa, but has also been the sole cause of the prestige, tarnished by mismanagement, not having been re-established by conduct worthy of the England of our fathers. A leading London paper alludes as follows to one of our recent disasters:—

'It is probable that, with greater tact and foresight, the Boers, who had almost unanimously accepted the transfer of allegiance, might have been permanently reconciled to English sovereignty. . . . The final and decisive error consisted in the withdrawal of troops, and

especially of cavalry, at the time when the Boer leaders were openly threatening revolt. The English Government had, after the Zulu war, been seized with a morbid fear of military expense in South Africa, and the Transvaal was almost entirely evacuated without regard to the dangers, or even to the cost, of a sudden reverse of policy. Only troops enough were left to provide the Boers with the opportunity of surprising a small detachment, and of besieging isolated forts, of which the garrisons might be regarded as hostages.'

Is it not evident that the 'morbid fear of expense,' alluded to in the foregoing extract, is a consequence of the heavy amount already due to the bondholders? And yet, in the midst of this disastrous state of affairs, the latter have, in the course of the last seven years, received from the public purse the equivalent of at least 20,000,000*l.* sterling more than they are entitled to receive. Or, if we take the market price of the silver pound, then the excess received by the bondholders is much greater, for in some of the interest paid to them they have received 6*s.* in every pound [1] which, by the conditions of the loan, belonged to the taxpayer and not to them. Our labouring population has been defrauded of this money by the legislation of Parliament in 1816, which has arbitrarily taken it from them and paid it to the bondholders.[2]

[1] Now more than ten shillings in every pound; but as open mints for silver would doubtless raise its value at least 50 per cent., the actual transfer of wealth from the wealth-producing classes of the country to the bondholders is probably not more than 25 per cent., or about 200,000,000*l.* All old mortgages and rentals have been affected in the same manner.—*Note to this Edition*, 1896.

[2] McCulloch says: 'Equal injustice, it must be remembered, is always done to the poorest and not least numerous class of society, by increasing

The fact is that the rapid extension of the Funding System, combined with thoughtless legislation, has involved us in a predicament hitherto unknown throughout the history of the world. The worst of the difficulty can be averted by plain, straightforward honesty in financial legislation; and what justice immediately requires is simply the reopening of the mint for the coinage of silver as well as gold. If, instead of this being done, other nations should follow us in our determination to have gold and not silver for unlimited legal tender, then the labour of our working population will become less and less remunerative, causing discontent to spread among the labouring classes;[1] whilst at the same time the increasing burden of the interest on the debt will

the value of money, that is done to the wealthier class by its depression.'—*Treatise on Money, by J. R. McCulloch*, A. and C. Black, 1859, Second Edition, p. 73.

[1] David Hume says: 'It seems a maxim almost self-evident that the prices of everything depend on the proportion between commodities and money, and that any considerable alteration on either has the same effect, either of heightening or lowering the price. . . .

'In every kingdom into which money begins to flow in greater abundance than formerly everything takes a new face: labour and industry gain life, the merchant becomes more enterprising, the manufacturer more diligent and skilful, and even the farmer follows his plough with greater alacrity and attention. . . .

'A nation whose money decreases' (in proportion to commodities) 'is actually at that time weaker and more miserable than another nation which possesses no more money, but is on the increasing hand. . . . The poverty and beggary and sloth which must ensue are easily foreseen.'—*David Hume, Essays*, Bell and Bradfute, Edinburgh, 1817, vol. I. pp. 283, 285, 286, 287.

The masses of unemployed and destitute that recently paraded London, surrounded by evidence of immense existing wealth, are just what Hume would have indicated beforehand as an effect of closing the mints against silver, and so preventing the supply of money from keeping pace with the increase of commodities.—*Note to Fifth Edition*, 1888.

cause the supplies for the army, navy, and civil service to be more and more retrenched; which must make those services degenerate, whilst the curtailment of pay will spread discontent among them also; and, in the midst of this national discontent and trouble, a Wat Tyler, a John Hampden, or a George Washington will rouse the nation to a new life by boldly telling the labouring classes that they are a crowd of born slaves, toiling to pay taxes levied partly to pay moneys squandered by generations who have gone to their graves, and partly to pay an increase of the burden of that debt created by the thoughtlessly fraudulent legislation of a Parliament under the influence of the bondholders. Then, when the labourer clearly understands his position, an end will be put to the bondholders' rule, and it will be fortunate for them if Parliament does not treat them with an exaggerated form of the same injustice with which the Parliament of 1816 has treated the national debtor. Nearly a quarter of a century ago I insisted that if ever the course of events should make it suit the British taxpayers to pay in the silver pound sterling rather than in the gold, they would boldly by word and deed assert their right to do so, or gradually become more and more helplessly chained by an insidious and degrading bondage as the slaves of the bondholders; until at length unenslaved hordes from Asia or Africa might trample alike on enslaver and enslaved. I now merely with urgency recommend Parliament to lose no time in reopening the mint for the unlimited coinage of the silver crown (or some other suitable silver coin) as well as the gold sovereign, because throughout all the history of the world there has never been recorded any

other financial crime or blunder so mischievous as that by which the gold sovereign has been given its present position as the sole representative of the pound sterling; and if that error be not either annulled by the British Parliament or else counteracted by enlightened and merciful legislation on the part of other governments, it will practically reduce the labouring population of England, and to a lesser extent throughout the rest of Europe and some other civilised countries, to a condition of slavery a thousandfold more degrading and revolting than the system of negro slavery which the civilised world has just repudiated.

CHAPTER III.

RIGHTS OF PROPERTY.[1]

FEW, even now, in discussing the relative merits of gold or silver or double standards of value, fully realise the fact that the pound sterling is what it is because the National Debt has made it what it is, and that every penny of the interest paid on that debt reduces directly or indirectly the wages of the labouring classes.[2]

[1] Extract from a letter to the *Herald*, published October 23, 1881.

[2] 'A huge debt was created in a short time. This debt was so much wealth created in two or three years, because it was interchangeable for commodities. It discounted the labour of the people of the United States for years to come. . . . In two or three years this 600,000,000*l.* debt was created, which would not have existed, but for the war. . . .'

'*Lord Herschell.*—But do you mean that every additional loan by a foreign state adds so much to the wealth of the world?—I mean to say that it is mortgaging the labour of future years. It is wealth so long as future generations work to pay the interest and the capital.'—*Mr. H. L. Raphael, Royal Commission on Gold and Silver*, 1888, questions 6951, 6954, 6956.

I give the above extract in corroboration of my statement to the effect that National Debts are a burden on the wealth-producing classes of the nation. There is, however, an inadvertency on the part of Mr. Henry Raphael in treating a creation of debt as a creation of wealth. It is more correctly a transfer of wealth. For the transaction is between individuals in possession of wealth already created by wealth-producing action of the past, and the representatives of a nation who engage that, if transferred to them for expenditure or investment, such wealth will be acknowledged as a debt repayable from the future wealth-producing action of the country. —*Note to Fifth Edition*, 1888.

In the short time which has elapsed since I read the paper (July 28, 1880), in which I endeavoured to show that the repudiation of the National Debt by Act of Parliament would be a natural sequel to the repudiation of silver, unless the law by which silver was demonetised in England were repealed, we have witnessed a great confiscation of property, or repudiation of the rights of holders of property in Ireland, effected by Act of Parliament on the plea of necessity. The fact (to which I have elsewhere alluded) that since the year 1873, the law by which the double standard was repudiated in England has arbitrarily confiscated at least 20,000,000*l.* sterling from the pockets of the labouring classes in England and paid it to the bond-holders as a bonus beyond the value of the interest due to them, is a comparatively trivial part of the mischief done by the attempted repudiation of silver.[1] The great evil has been the stoppage of trade, and the check to the production of wealth caused by the disorganisation of the currency.[2] The English law of 1816 did not

[1] 'Taking the National Debt at 740,000,000*l.*, it represents to-day an amount of average commodities that would have taken 1,057,143,000*l.* to purchase before the contraction of the currency began. . . . A careful investigation of this question would probably show that the mediatisation of wealth from the producing classes and those allied with them to the holders of securities and the possessors of mortgages, annuities, fixed incomes &c. has taken place in the United Kingdom in the last twelve years to at least 2,000,000,000*l.*'—*Mr. J. Barr Robertson, Royal Commission on Gold and Silver*, 1888, question 6269.

[2] In their Final Report, under date of December 21, 1886, the majority of the Royal Commission appointed to inquire into the Depression of Trade and Industry state, par. 31: 'Those who may be said to represent the producer have mainly dwelt upon the restriction, and even the absence, of profit in their respective businesses. It is from this class, and more especially from the employers of labour, that the complaints chiefly proceed.

begin to have the practical effect of enhancing the value of gold until 1873, and then it not only steadily

On the other hand, those classes of the population who derive their incomes from foreign investments, or from property not directly connected with productive industries, appear to have little ground of complaint ; on the contrary, they have profited by the remarkably low prices of many commodities.'

In par. 27 they state 'that the depression dates from about the year 1875, and that, with the exception of a short period of prosperity enjoyed by certain branches of trade in the years 1880 to 1883, it has proceeded with tolerable uniformity, and has affected the trade and industry of the country generally, but more especially those branches which are connected with agriculture.'

In par. 36 : 'The statistics of our foreign trade show an apparent falling off in some respects, but this is almost entirely due to the continuous fall n prices which has been in progress since 1873, and more particularly to the fall in the prices of raw materials.

The views, as above expressed by the majority of the Commission, are still more strongly expressed by the separate report of the minority, who, after stating that they concur in the general description of the nature of the evidence received, add : 'But the extent and severity of the depression of trade and industry, and the consequent insufficiency of employment, are not in our opinion adequately recognised and set forth in the report. Nor do we think it contains a sufficient exposition of the gravity and permanent character of the causes which are now operating to prevent the growth of our chief industries keeping pace with that of the population.'

And in par. 73 : 'We expressed in our third report the opinion that this fall in prices, so far as it has been caused by an appreciation of the standard of value, was a matter deserving of the most serious independent inquiry ; and we do not therefore think it necessary to investigate at length the causes which have brought it about. But we desire to give it a leading place in the enumeration of the influences which have tended to produce the present depression.'

Mr. William Fowler argues very elaborately in the evidence before the Royal Commission on Gold and Silver that the recent average fall in prices is not due to an appreciation of gold, but to special causes, which he mentions in detail, as acting at different times on important commodities, and the point of his argument and demonstrations does not appear to have been directly met. What seems to have been completely overlooked on both sides is the fact that commodities in general on the one hand, and the standard of value on the other hand, reciprocally measure each other.

swept away the margin for profit on each commercial transaction, but, by breaking down prices,[1] checked manufactures and industries of all descriptions. Wherever the natural difficulties for the creation of wealth may be greatest, or the population may be most thriftless or indolent, that strain on the currency must soonest become unbearable, and none, who appreciate the importance of the enhancement of the value of gold caused by the demonetisation of silver, can think it unreasonable to assume that if the prosperity of the world had not been artificially checked in 1873, Parliament would not have been called on to repudiate rights acquired by purchase in Ireland. Newton in England, and Bonaparte in France, gave practical evidence of having realised the fact that the law must acknowledge or adapt itself to rights which become rights by the slow process of natural selection. Gold and silver have grown into the position they hold as circulating mediums by that process, and if the law by which Parliament in 1816 repudiated the rights of the holders of silver con-

Therefore, if at any moment the aggregate of prices represent a value of 100, it is quite beside the question to show that some special cause has made some commodity represent 20 which would otherwise have represented only 10, making the aggregate only 90; for the fact is that but for that special cause acting on that one commodity all other commodities would have been about 10 per cent. higher, giving, therefore, the same aggregate of 100 which, as long as the standard remains steady, is the figure which commodities divide between them according to their relative supply and demand. That figure changes only as the value of the standard itself changes in relation to the aggregate of all other commodities.—*Note to Fifth Edition*, 1888.

[1] 'The fact is, you, as acquainted with mercantile affairs, know perfectly well that the depression of prices since 1873 has been something without a parallel.'—*Mr. H. D. Macleod*, *Royal Commission on Gold and Silver*, 1888, question 7214.

tinues to be sustained and be not counteracted by the legislation of other countries, then Parliament will find itself gradually hurried from one act of repudiation to another until all rights of property are swept away. The attempted demonetisation of silver is a blow at the acquired rights of property which is felt all over the world,[1] and seems to me to be the most dangerous disaster that civilisation has encountered in its growth since, with the gradual strengthening of those rights, mankind slowly emerged from barbarism.

[1] 'The unprecedented continuance of low prices for several years past has not been confined to this country, but has been more or less general throughout Europe, where it has not been counteracted, as was the case in France in 1880, by more notes being issued. Simultaneously with the spreading of the existing stock of gold over a larger area, the supply from the mines has undoubtedly been smaller of late years, and the consequence has been an appreciation of the metal.'—*A Review of the Position and Prophecies of the Bimetallists*, by Arthur Crump (London: Effingham Wilson, 1882), p. 22.

CHAPTER IV.

THE IRISH LAND ACT.[1]

BETWEEN six and seven years ago the London Board of the late Mercantile Bank instructed their Envoy Plenipotentiary in Buenos Ayres to make me understand that 'the Board wanted a manager to obey their orders, and not a dictator to tell them what they must do,' though any Board of Directors not bewildered by the difficulties of a situation with which the then ruling majority of its members were quite incompetent to grapple, would clearly have understood that the 'musts' to which they objected did not mean that 'to suit my own purposes' I commanded them to allow the course I indicated to be adopted, but merely that it appeared to me (in a better position than they to judge) that the non-adoption of that course must of necessity be ruinous to the interests of the shareholders of the bank.[2] So also, when I and some other advocates of bimetallism

[1] Letter published in the *Buenos Ayres Herald*, December 15, 1881.

[2] Out of 1,000,000*l.* of cash paid up in London by the shareholders as capital of the bank, 750,000*l.* have now been abandoned as lost as far as they are concerned, and, if equally divided, form a present of more than 2*l.* to each man, woman, and child in the cities of the River Plate in which the Bank transacted business. It is not impossible for the monometallists' ideas, if allowed free action, to prove quite as disastrous to the country in general.—*Note to Fifth Edition*, 1888.

say that England must readopt the silver standard, we do not mean to assert that it is absolutely impossible for the restoration of that standard to be prevented, but merely that any such legislation as may make its restoration unnecessary will be excessively disastrous to the country in other respects; and, as you did me the honour of giving prominence to the paper I read before the Literary Society (1880) in which I expressed the opinion that Parliament must restore the silver standard, I ask you to allow me to protect myself in your columns, by the clear enunciation of the above saving clause, from the risk of a misunderstanding similar to that above alluded to. I ask you to publish this rider to the opinion already published, because I perceive by the English papers received by the last mail that Parliament has actually commenced a course of legislation which, if systematically persisted in, may render the readoption of bimetallism in England not only quite unnecessary, but even perhaps as mischievous as its abolition actually has been.

The value of the gold pound sterling is now nearly 20 per cent.[1] more than that of the silver pound, which was nominally abolished in 1816 and practically abolished in 1873; and the new Land Court just established by Act of Parliament in Ireland has, according to the *Times* of the 4th ult.,[2] authorised a reduction of even more than 20 per cent. on one of the contracts between landlord and tenant which has been brought before them. Of course, if all written contracts are to be revised in this manner, allowing debtors, by

[1] Now more than 100 per cent.—*Note to this Edition*, 1896.

[2] November 1881.

special Act of Parliament, to pay in gold 20 per cent. less than the amount of pounds sterling they have contracted to pay, they will naturally be even better pleased than if compelled to adhere to their contracts but allowed to pay in the silver pound in which they are equitably entitled to pay every contract signed before 1874. By the systematic pursuance of the course inaugurated by the Irish Land Court, Parliament may certainly get rid of the necessity for restoring the silver standard; but that course appears at present (December 1881) to involve a task in comparison with which all the recorded labours of Hercules shrink into insignificance, and which might have been avoided, even without re-adopting the silver standard, by the simpler course of authorising all debtors on contracts dated before 1874 to pay in gold the equivalent of the silver pound instead of the full gold pound.[1] This would have done quickly and thoroughly what the Land Court appears bent on doing laboriously; and by such a course Parliament might have avoided the dangerous precedent of arbitrary interference with individual contracts. The mere restoration of the silver standard in 1881 could not perhaps have been quick enough in its action to save the lives of the Irish landlords, but it does not appear that it would even now be too late to save the just rights of owners of property, including the bondholders, in England.

It must be borne in mind that every contract revised

[1] 'It cannot be denied that the Land Act of 1881 has proved a gigantic failure. An impossible task has been attempted, and that task has broken down.'—The Right Hon. G. J. Goschen, Liverpool, January 18, 1887. *Times*, January 19, 1887.—*Note to Fifth Edition*, 1888.

in the manner effected by the new Land Court makes it more difficult than before to arrange an equitable adjustment between the national debtor and the national creditor; and also that it is quite ridiculous to suppose that the people who would neither submit to King Charles's claim to levy Ship Money, nor to King George's Tea Tax, are likely to continue to submit to be 'swindled' to the extent of about 20 per cent. every year by a parcel of bondholders.

McCulloch refers to the change of the standard of value brought about by increasing the value of the current coins as 'a method of swindling first practised in the worst times of the Roman Empire.' The Emperor Heliogabalus, being legally entitled to a fixed amount of money for certain taxes, increased the value of that income by raising the value of the coins at the national expense. His and all other performances in that line have, however, as far as I have been able to ascertain, been quite trivial compared to the manner in which the equivalent of 120,000,000*l.* sterling of debt has been placed on the British taxpayer since 1873, by the change of our silver debt into a gold debt; and though Heliogabalus ventured so far as to order heavier coins to be made so as to increase the value of his income, he never ventured on so barefaced a proceeding as to pay in silver what was borrowed in gold, or to claim in gold what was due in silver. The latter modification of his 'method of swindling' is an audacious novelty, which seems to have been specially reserved for the display of the originality of the genius, or the folly, of Lord Liverpool; and if our modern Heliogabali, who now have the value of their incomes increased by Lord

Liverpool's Heliogabalian Act, endeavour to continue to induce Parliament to require money borrowed payable in silver to be paid in gold, then the debtors will before long induce Parliament to declare that, in accordance with precedent, that same money, borrowed payable in silver, may, by way of a change, be paid in copper or in paper; and therefore, notwithstanding the manner in which the action of the new Land Court practically defends for a time the present position to the bondholders, it would be wise on their part to accept, whilst they can, the restoration of the silver standard.

CHAPTER V.

FOREIGN DEBTS IN LONDON. THE ARGENTINE REPUBLIC IN THE SILVER QUESTION.[1]

> I do not rhyme to that dull elf,
> Who cannot image to himself,
> That all through Flodden's dismal night,
> Wilton was foremost in the fight.

I DO not write this article for those who either cannot or will not understand the cause of the present separation of the gold and the silver standards of value, which, until recently, combined to form a double standard. I purpose merely to point out to those who already understand the practical action of such a separation the manner in which the foreign loans of this country have been affected by it, and also the course of legislation which is best suited to the interests of the country, from a financial point of view. For this purpose a very few words will suffice for the initiated, though for others it might necessitate a long dissertation, embracing perhaps even the alphabet of finance. The Argentine Republic owed in London, in the year 1873, more than ten millions sterling, and the collapse of the double standard, which occurred in that year, has practically added a value of two millions sterling to that debt, by making a

[1] Published in the *Buenos Ayres Herald*, June 29, 1882.

present debt of 10,000,000*l.* equal to the value of a debt of 12,000,000*l.* in 1873. The Argentine Government have actually paid in London, during the past nine years, very much more than a value of 1,000,000*l.* in the excess of the value of interest caused by the change from the double standard to the gold standard. And they are this year paying a value of 120,000*l.* more than would be required from them if the double standard had been sustained. The change of the standard of value is now causing a yearly transfer of wealth from the Argentine Republic to the money-lenders in London equivalent to the value of 120,000*l.* This change of the standard tells against the Argentine Republic and in favour of the money-lenders in London, just exactly in the same manner as it tells against each individual tax-payer in England to the benefit of those same money-lenders, which latter are now getting out of the people of England an extra value of more than 4,000,000*l.* every year by the action of the change of the standard of value. The London money-lenders are the only individuals who profit by the change of the standard, whilst the overwhelming majority of the people of England, and more especially the labouring classes, are mulcted for their benefit just in the same manner as each foreign nation with a sterling loan is mulcted.[1]

[1] 'I hope you understood me to say just now, that a universal gold currency for every country in the world would be the greatest possible advantage to this country, because we are the greatest creditor nation in the world, and it would increase the world's debts to us enormously. This is an undoubted fact, though no one could properly, I may say honourably, recommend it as a policy.'—*Mr. Daniel Watney*, *Royal Commission on Gold and Silver*, 1888, question 9518. Mr. Watney seems almost to suppose the money-lenders and the country to be synonymous terms. It has been estimated (see footnote p. 118) that the amount of wealth

Shakespeare has given us a pretty parallel to the present position of affairs in his tale of the Merchant of Venice. Shylock induced Antonio to sign the contract for the pound of flesh, not, as he assured the latter, for the sake of any advantage which Shylock could himself obtain from such a contract, but merely as a 'merry jest:' in fact, just to please Shylock's fancy; but when the bond came due, then the fancy became a stern purpose. So also Lord Liverpool, the great special pleader for the interests of the money-lenders, induced Parliament to abolish the silver standard, not, as he assured them, for the purpose of giving pecuniary advantage to any class of persons, but merely because he fancied it nicer and more convenient to have only one metal for unlimited legal tender. But now that the Act of Parliament, which was obtained under the plea of its being merely a measure of convenience in the money market, and not in any manner advantaging the money-lenders, has, nevertheless, had the practical effect of giving an extra 20 per cent. to the money-lenders, they claim a technical right to that extra 20 per cent. as boldly as Shylock claimed his pound of flesh. Let them consider well the bitter consequences which Shylock of Venice suffered, and then they may, perhaps, have understanding to perceive, looming in a not very distant future, still greater calamities in store for them, if they do not, in time, renounce their claim to the pound of

surreptitiously transferred in the United Kingdom from the wealth-producing classes to the money-lenders by the recent change from the double standard to the gold standard amounts to two thousand millions of pounds sterling. What satisfaction can it be to the wealth-producing classes of this country that the same money-lenders are spoiling the Egyptian and other labourers in the same manner for a smaller amount?—*Note to Fifth Edition*, 1888.

flesh. The very Act under which they claim their 20 per cent. will be, as with the Shylock of Venice, the perfect, though, at the same time, the only justification of the course by which the debtors will regain their freedom if that Act is not quickly renounced. Let the Shylocks of London remember that Parliament closed the mint against silver to satisfy what was said to be their convenience, and not for the purpose of giving them 20 per cent. more of the property of their debtors. To attempt to justify the appropriation of this 20 per cent. by that Act of Parliament makes that Act as great a breach of faith as that by which Shylock obtained his legal right to the pound of flesh. 'Lex dederunt sed non lex dixerunt' must now be recorded against that Act; and, as it now gives to the money-lenders an advantage which it was expressly urged that it was not intended to give, it ought, therefore, to be at once frankly renounced, thus leaving the mint open for the coining of silver as freely as for the coining of gold. In presence of a consideration of this character, to argue about the comparative convenience of a gold or a silver circulation is childish prattle; it is worse than Nero's fiddling whilst Rome was burning.

Whilst, under existing conditions, the English mint remains closed against silver it is manifestly disadvantageous for the Argentine Republic, or for any nation with a large debt contracted in London, to endeavour to maintain a gold circulation;[1] for every ounce of gold

[1] '*Mr. Barbour.*—May I ask how India would lose by adopting the gold standard?

'*Mr. Daniel Watney.*—By the demand for gold that would be created. If she had a gold standard the debt would be thereby increased enormously. . . It would be the most awful catastrophe for India to have a gold

they absorb in their own circulation enhances the value of the gold debt due in London. It is rather for the interest of such nations to encourage the circulation of silver only; so as to restore the former par value of the two metals and thus prevent the gold debt in London from becoming permanently enhanced in value above the double standard value under which the money was borrowed.[1] It should be kept in view that, as the silver standard cannot be abolished in the manner advocated by the Paris Conference of 1867, the double standard must therefore, of necessity, sooner or later restore itself; and that the lower the relative value of silver may be in the restoration of that standard, the greater will be the permanent loss to the Argentine Republic on its foreign loans. It is easy to see in what respects the attempt to establish a gold circulation in this country must be pernicious under existing circumstances; whilst those same circumstances beset the idea of establishing a silver standard with practical difficulties which do not enter into the problem involved in the establishment of

standard. . . . Just think of the folly of the United States, when they were a debtor nation, in adopting a gold coinage. They knew nothing about currency matters, they did not know that it was going to increase their debt enormously.'—*Royal Commission on Gold and Silver*, 1888, questions 9465, 9471, 9504. This answer is, of course, given on the supposition of England retaining the gold standard. It would not apply if England adopted the double standard.

As we have a very much larger debt than India, and as that very much larger debt is spread over a very much smaller population, what words would Mr. Watney find to express his appreciation of the disaster to the British taxpayer resulting from such increased demand for gold? Does he think the latter ought to feel consoled by the fact that it is some of their own countrymen who absorb their earnings?

[1] Such an adoption of silver by foreign nations might, as already stated, p. 79, make the gold pound sterling worth less than the silver pound.

a gold circulation.[1] These are not, however, insurmountable, and the interests of the country require that they should be fairly faced.

[1] No difficulty existed eight years previously, 1874, when I proposed the adoption of the double standard as mentioned further on.* That proposal was thwarted because just then the bimetallists of England applied to the Government to take measures for the protection of Indian interests; and it was pointed out that I was urging the Argentine Government to put the country in the very predicament from which financiers in England were urging the English Government to extricate India. The footnote on page 81 shows that the question is now better understood.—*Note to Fifth Edition*, 1888.

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* See Index, heading *Metallic circulation for the Argentine.*

CHAPTER VI.

THE DOUBLE STANDARD AND THE NATIONAL DEBT.[1]

IN the paper I have prepared for reading this evening I have preferred to run the risk of being tedious rather than the risk of not being understood; and therefore it may perhaps appear, as I read, that the same ideas recur too often. If so, I must ask you to excuse such repetitions, on the ground that ideas, when not at first understood, may be so when repeated in a different combination of words.

In the paper[2] read before you on May 26, Mr. Barclay pointed out :—

First: that, 'Prior to 1874, bimetallism was practically in force for all the purposes of international commerce. Individual nations had different standards; but, owing to the uniform relative value of the two metals,

[1] A paper read before the English Literary Society of Buenos Ayres on July 28, 1880, in support of the following propositions :—

' I. *That the general adoption of Bimetallism is desirable and practicable.*

' II. *That duty and expediency both urgently require the readoption by England (with or without the joint action of other nations) of the principle of Bimetallism which was abolished by the British Parliament in* 1816 *in favour of the gold standard.*'

[2] 'Bimetallism;' a paper read before the English Literary Society, Buenos Ayres, by Robert Barclay, Esq., of Manchester. Published by the Author, at the request of the Society, and edited by the President, William Leighton Jordan, F.R.G.S.

silver and gold throughout the world formed practically one mass of metallic money, and the par of exchange between a gold country and a silver country was for all practical purposes a fixed value, varying almost as little as if all the nations of the world had one metal alone as the standard of value.'

Though in one group of States, including England, only gold, and in another group, including Germany, only silver was legal tender; nevertheless, as a third group, including France, accepted either gold or silver indiscriminately as offered for coinage at the rate of $15\frac{1}{2}$ lbs. of silver to 1 lb. of gold, the relative value of the two metals in any country could not vary from that rate beyond the percentage requisite to cover the cost of sending one or the other metal to the French mint for coinage.[1]

[1] Mr. Gibbs considers that a bimetallic law in France must keep the price of silver in the London market 'at a point dependent *not at all on the power of getting gold from France, or on the agio which may be paid for it there* but on the course of exchange between the two countries.' * Though the price of silver in London must be affected by the course of exchange, because if it were not so, then the value of gold in London as compared with the value of gold in Paris would vary more than the relative values of gold and silver; still the opinion I have placed above in italics appears to me to be decidedly erroneous, for any agio on either metal in Paris must of necessity, under any circumstance, tend to make itself felt in the market price of silver in London, though the effect of such an agio might be for some time either counteracted or increased by the course of exchange.

It is a mere matter of fact that before 1873 the gold price of silver in London did not fluctuate more than the gold price in foreign markets of gold bills on London; thus showing that for all practical purposes the value of gold and silver before 1873 fluctuated jointly, any supply of either metal affecting the value of both metals, and not that of the one metal only.

The argument in the text supposes the double standard to prevail in

* *The Double Standard.* By Henry H. Gibbs, London, 1881, page 34.

Secondly: that, 'In the year 1867, a number of currency reformers met in Paris with the idea of discussing some system of universal currency by which the coins of all nations might be harmonised. These reformers, however, found that a serious obstacle to the realisation of their schemes existed in the different standards of value which the leading nations had adopted, and from that time there began a propaganda in favour of gold monometallism. The English system was regarded as the best, and English commercial prosperity was supposed to have resulted largely from her monetary system.[1]

Thirdly: that the foregoing suggestion was not acted

France practically as well as legally. Immediately there was a practical alternation from the double standard to the silver standard in some countries and to the gold standard in others, then the price of silver fell in London in proportion as quotations under the gold standard fell in relation to those under the silver standard.

There were certainly no practical alternations of the standard of value before the English law of 1816 was passed; and if there were any alternations between that date and 1873, the fluctuations in the difference between the gold and silver standards were so slight as to have no important practical effect on the valuations of property or income. It is only since 1873 that the two standards have separated to an extent which involves serious consequences.—*Note to the Third Edition*, 1883.

[1] The following interesting extract from a speech delivered at Glasgow University in 1873 by the Right Honourable Benjamin Disraeli, afterwards Lord Beaconsfield, appears in Mr. Ernest Seyd's work on *The Decline of Prosperity*:

'I attribute the great monetary disturbance that has occurred, and is now to a certain degree acting very injuriously to trade—I attribute it to the great changes which the Governments in Europe are making with reference to their standards of value. . . . I think that any country which has a gold standard of value should, to use a celebrated expression, think once, twice, and thrice, before it gives it up. But it is the greatest delusion in the world to attribute the commercial preponderance and prosperity of England to our having a gold standard.'—*Note to First Edition*, 1880.

on until the year 1872, when Germany commenced to change from the silver to the gold standard under the Law of December 4, 1871.

An unusual demand was thus created for gold; whilst at the same time the supply of silver from the coins discarded by Germany and thus thrown on the market was further increased by an unusually large supply from the mines. This combination of disturbing causes led the French authorities to fear that the action of the French mint would not be sufficient to sustain the established rate between silver and gold, which might, notwithstanding their action, be altered to a rate of 20 or 30 to 1. And therefore, seeing that, under their then existing regulations, all the gold absorbed by Germany would practically be withdrawn from France and other bimetallic States in exchange for an equivalent quantity of silver at the rate of $15\frac{1}{2}$ to 1, the French authorities refused to receive silver for coinage, and accepted only gold.

Thus the action of both France and Germany created an unusual demand for gold, whilst at the same time the one threw silver on the market, and the other closed a source of consumption previously existing for it.

The market price of silver soon fell rapidly from the former par rate of $60\frac{7}{8}$*d.* per oz. standard; and it then became evident, even to those who had not previously perceived the fact, that (to use Mr. Barclay's words): 'The bimetallic system of France with its free[1] coinage of silver for all comers had linked gold and silver together not for France only but for the world, until the

[1] The French mint before 1873, like the English mint before 1816, was bound to coin free of charge all silver or gold offered for the purpose.

fear of an inundation of silver from Germany made her close her mint.'[1]

It is a disputed point among financiers whether, if France had kept her bimetallic law in action, instead of suspending the coinage of silver, the unusually large supply which was thrown on the market would not all have been absorbed without any disturbance of the relative value of silver and gold. It seems to me that Mr. Barclay under-estimates, or certainly does not over-estimate, the controlling power of the French bimetallic law. For reasons which I shall presently give, I cannot myself doubt that if the latter law had been kept in force its influence would have been more than sufficient to sustain the equilibrium between silver and gold, notwithstanding the tendency of the new German law to enhance the value of gold and depreciate the value of silver. The French mint might have coined double the amount of silver which could possibly have been sent there by Germany, without causing any disastrous inconvenience in France. And as regards the danger of the equilibrium being disturbed by the new supplies of silver: the fact is that during the twenty-two years from 1848 to 1870, with free coinage for silver, there were 60,000,000*l.* coined all over the world, so that at that rate, if the whole supply offered for coinage were taken to the French mint only, and were not able to pass from France into the circulation of other countries, it would take one hundred years, even under such practically impossible conditions, for the supply of silver to displace the gold circulation in France.

[1] France slackened the coinage of silver in 1873, limited it in 1874, and entirely prohibited it for the public in 1879. – *Cernuschi*, page 15.

The real danger[1] to France lay in the fact that the adoption of the gold standard by Germany was only a first step in favour of the universal adoption of gold monometallism; and on other nations with silver standards following the lead of Germany, then the combined influence would have been more than could be counteracted by France. Silver would then have depreciated after having taken the place of the gold circulation in France, just as it actually did depreciate on the French mint being closed against it. The idea that France, with 260,000,000*l.* of gold and 70,000,000*l.* of silver circulation, could not have withstood the sole influence of Germany in discarding at the most 60,000,000*l.* of silver, and able to absorb at the most 100,000,000*l.* of gold, seems to me to be a mistake. These are, however, mere matters of opinion, which I express for the purpose of illustrating the subject. What is not doubted by any one is the fact, that if England and Germany had in 1867 adopted the same bimetallic system as France, there would never have been any danger of the derangement in the relative value of silver and gold which has occurred. This being so, it is then evident that if all the principal commercial nations adopted the French bimetallic law, the relative value of gold and silver would be maintained at the rate of $15\frac{1}{2}$ to 1 without any practical risk of derangement.

I will not dwell further on Mr. Barclay's arguments for the purpose of showing the practicability of

[1] That is to say, the so-called danger of a complete change to a silver circulation. The interference of the Government to avert this so-called danger was, according to the whole tenor of this volume, unfair to all debtors and injurious to the country.—*Note to Fifth Edition*, 1888.

bimetallism if generally adopted. Its desirability is roughly, but concisely, stated by Mr. Barclay in the following words :

'If silver were everywhere effectually demonetised, this would reduce the metallic money in the world to 700,000,000*l.* of gold, and as this 700,000,000*l.* would have to do the exchange work which is at present done by 1,400,000,000*l.* of the two metals, its value would be correspondingly increased. One sovereign would have the same purchasing power as two sovereigns now have, prices of commodities would seem to fall to this extent in relation to money, but in reality it would be that money had become enhanced in value owing to its scarcity. It requires little demonstration to prove that this would be an immense evil. The whole balance of values would everywhere be disturbed: not to speak of the immediate loss to the holders of silver, every debtor who owed gold would have practically to pay double the amount which he owed. National loans contracted in gold could not be discharged without the surrender of double the property which these loans when made could have bought. In fact everywhere the debtor would suffer and the creditor gain. Of course, this is putting the thing in an extreme light, but it serves to show how it must work.'

The foregoing, it will be observed, is a purely practical argument based on the fact of both silver and gold actually being in circulation. And to the numerous considerations urged by Mr. Barclay, I will add a short argument based on facts which show not only that the bimetallic gives a steadier and therefore a fairer standard of value than either the gold or the silver standard

alone; but also that legislation can fix the relative value of the two metals in such a manner as to prevent any variations of their relative value even under greater variations of relative supply than have ever hitherto occurred.[1]

In the year 1848 there were 400,000,000*l.* of gold and 600,000,000*l.* of silver in circulation. Between that year and the year 1870, 350,000,000*l.* of gold and 60,000,000*l.* of silver were added to the circulation. Now, if gold only had been legal tender, the volume of the metallic currency would have been almost doubled during those years; but, in consequence of the existence of the silver currency, the increase was only 40 per cent.; and therefore the sudden influx of gold caused much less disturbance than would have occurred if gold only had been in circulation. This is a practical illustration of the manner in which bimetallism gives a steadier standard than monometallism. As paper currency also tends to prevent fresh supplies of coin from effecting an equivalent rise in prices, it may here be observed that in England there are about 15,000,000*l.* of bank notes which have practically the same effect in depreciating the purchasing value of gold and silver as if it were exchanged for an extra amount of 15,000,000*l.* in gold or silver. It is more difficult to judge how much of the paper currency in many other countries has this same action; but allowing all the paper in circulation to be equivalent in this respect to an amount of 300,000,000*l.*

[1] As repeatedly stated throughout this volume, I do not want Government to declare that so much silver is to be worth so much gold, but merely to allow the mint to coin silver as well as gold as unlimited legal tender for the pound sterling. The natural action of the laws of supply and demand will then make the pound sterling valuation the market value of the two metals in relation to each other.—*Note to Fifth Edition,* 1888.

in gold or silver, then that paper circulation would have further reduced the disturbing influence of the discoveries of gold just mentioned to 30 per cent. That is to say, if the circulation had consisted of gold only, the new coinage just alluded to would have nearly doubled the amount of the circulation. If it had consisted of gold and silver only, the increase would have been 40 per cent. But as it consisted of gold, silver, and paper, the increase was only 30 per cent. This latter is merely a rough estimate, which I give for the purpose of illustrating the principles in question. It must also be observed that this allusion to paper money is really a digression from our main point: for its existence merely modifies the action of the principles involved, and does not affect the intrinsic merits of the single or the double standard.

To return to the main point, I will ask you now to mark well the fact that the large influx of 350,000,000*l.* of gold was all absorbed into the circulation without affecting the relative value of gold and silver, because the currency laws in England and other countries compelled the mints to receive all gold offered for coinage at an established rate. Can it be doubted that if those mints had then been closed against gold as the mints have recently been closed against silver, gold would then have depreciated in relation to silver just as silver has now depreciated in relation to gold? Or, on the other hand, can it be doubted that if the mints had recently been opened to silver as well as to gold the present depreciation of silver would have been prevented? [1] It seems to me surprising how any who

[1] 'It is a very curious fact that I can find no relation between the relative value of gold and silver and the relative stocks of the metals in

give due consideration to the subject can doubt that a bimetallic law universally adopted might fix the relative value of the two metals either at 10 lbs. of silver to 1 lb. of gold, or at 20 lbs. of silver to 1 lb. of gold, without any risk of that valuation being disturbed by differences in the relative supply of the two metals unless those differences should be much greater than anything that has hitherto occurred. The only practical difficulty I see in the matter is that of inducing all nations to act together. And the only principle at issue regarding which my opinion somewhat hesitates, is as to the expediency of binding ourselves by international treaty, rather than taking an independent course, guided merely by what present circumstances may make desirable for our interests. Granting both the practicability and the desirability of universal bimetallism, it nevertheless appears to me still more desirable for England to take the independent course which I am about to indicate rather than submit to the great delay and difficulty inseparable from the attempt to induce other nations to take joint action with us in the matter.

You have all had the opportunity for reconsidering the paper read on May 26, in which Mr. Barclay acts as an able and lucid exponent of the opinions long since expressed by Mr. Ernest Seyd and other veterans in the

different periods. As a matter of science it is a very curious point that one seems to see no relation. There was a most enormous increase in the production of gold as compared with silver, and yet silver never rose till 1873. I know how it is accounted for, and I dare say it is accounted for; but I do not quite understand why, between 1852 and 1857, there was so little change in the relative values of gold and silver, while silver practically was unchanged in production, and the production of gold was so enormous.' —*Mr. William Fowler, Royal Commission on Gold and Silver*, 1888, question 7719.

cause of bimetallism; and I shall presently ask you to adopt the resolution which was proposed by Mr. Barclay and seconded by Mr. Runciman on May 26, namely: That the general adoption of bimetallism is desirable and practicable. By adopting that resolution you will declare that you consider it desirable that both gold and silver should continue with equal freedom to circulate as legal tender money in the commercial world; and also that you consider that the relative value of $15\frac{1}{2}$ to 1 would be practically maintained if bimetallism at that rate were generally adopted by commercial nations.

I will now pass on to the second resolution which I have to submit to you, to the effect that, even if other nations decline to change their laws, it is nevertheless both the duty and the interest of England to adopt the principle of bimetallism, or, as stated in the words of the resolution: That duty and expediency both urgently require the readoption by England (with or without the joint action of other nations) of the principle of bimetallism which was abolished by the British Parliament in 1816 in favour of the gold standard.

As regards the first resolution, I am acting merely as a supporter of the views expressed by Mr. Barclay on May 26, and am now endeavouring to retrieve the defeat which they then experienced.

As regards the second resolution, those who were present at the last debate on this subject may remember that the views I expressed met with Mr. Barclay's opposition. If, however, I can succeed in clearly stating the argument based on duty, I shall of course gain your adherence to the second resolution, even if you should not be able to express your belief in the practicability

of universal bimetallism as required by the first resolution.

The plea of duty is based on the existence of our large National Debt; and it is a subject which I am not now handling for the first time. Between the years 1857 and 1860, when discussing the currency question and its bearing on the National Debts which have been incurred during the last two hundred years, I frequently commented on the serious difficulties which might arise from the action of the currency law established in 1816. That law made it obligatory for debtors to pay $123\frac{1}{4}$ grains of standard gold containing 113 grains of pure gold for each pound sterling due to the creditor. At the time it was passed it inflicted no practical injustice on either debtor or creditor. In principle, nevertheless, it involved injustice, which in the course of the last five years has become practical.[1]

To understand the principle at issue, it must be borne in mind that the pound sterling was formerly a Saxon pound weight of silver, divided into 240 pence, just as the pound weight was divided into 240 pennyweights. The pound troy was subsequently substituted for the Saxon pound, thereby slightly increasing the unit measure of weight. But, on the other hand, frequent reductions were made in the weight of silver declared to represent the pound sterling. The result of these changes was, that at the beginning of the seventeenth century a

[1] The mint was not absolutely closed against silver until 1870. Between 1816 and 1870 the mint could at any moment have been reopened for unlimited coinage of the silver pound by Royal Proclamation. The Currency Act of 1870 appears to have deprived the Crown of this prerogative, as explained in the Preface to this Edition. (See the *Bankers' Magazine* for May 1895.)

pound troy weight of silver represented $3\frac{1}{10}$ of the reduced pound sterling.

The establishment of the Funding System in the seventeenth century then made it more than ever the duty of the Government to avoid any further changes of the accepted standard of value. And in fact, from that time up to the year 1816, that is to say, all through the period during which the National Debt of 850,000,000 pounds sterling was incurred, silver continued to be legal tender, one pound weight of standard silver, containing 222 penny-weights of pure silver, being coined into three pounds two shillings sterling.

When the first 50,000,000*l.* of debt was incurred, only silver was current as legal tender,[1] though the gold guinea was in circulation, and its value as money became settled by custom at 21*s.* 6*d.*

In 1717, at the instigation of Sir Isaac Newton, this gold coin, which formed practically an important part of the circulation, was declared legal tender at the value of 21 shillings.[2]

[1] I have in this edition said *current as legal tender* instead of *legal tender.* In the first edition I was guided by the following statements by McCulloch in his work on *Money*, namely: 'In 1663 the guinea was first coined, and its value varied (though fixed by the mint regulations at the low price of 20*s.*), *silver being the only legal tender.*' Also, 'In 1717 the value of the guinea was reduced by proclamation from 21*s.* 6*d.* to 21*s.*; *both metals being made legal tender.*' The fact seems to be that gold was actually legal tender before 1717, though it was current at conventional rates, higher than its legal tender rate, until it was made legal tender for 21*s.* instead of 20*s.* It thus appears that the double standard was not only established in practice before the commencement of the Funding System, but had also a legal status.—*Note to Second Edition*, 1882.

[2] Instead of its original legal tender rate of 20*s.* 'In all the Mint Indentures from the 15th of Charles II. the guinea had been called a Twenty Shilling Piece, and it was ordered to pass at that rate. But on

Thus all the debt, when incurred, allowed the debtor the right of paying in standard silver at the rate of one pound weight for each 3*l.* 2*s.* of debt. And the greater portion allowed the option of paying in standard gold at the rate of one pound weight for each 46*l.* 14*s.* 6*d.* of debt.[1] Whilst for the remainder each pound weight of gold was equivalent by custom to 47*l.* 16*s.* 9*d.*

The law of 1816 deprived the debtor of the right of paying in silver, and made it incumbent on him to pay in gold at the highest of the above values; thus making 113 grains of pure gold the only legal tender for each pound sterling in amounts exceeding two pounds.

As from 1816 to 1874 the relative value of silver and gold remained at about its previous proportion, no practical injustice was done to the debtor. But what I insisted on, in the discussions above alluded to, was that, as far as human foresight was concerned, it was a mere matter of chance whether the law of 1816 could or could not continue to be sustained. For if it should become

this occasion a new indenture was made, dated 6th May, 1718, in which this piece of gold coin was called a Guinea or a Twenty-one Shilling Piece: and it was ordered to pass for 21 shillings sterling.'—Lord Liverpool, *Coins of the Realm*, p. 94.—*Note to Second Edition*, 1882.

[1] The current value of the gold coins, whilst the first part of the debt was incurred, fluctuated considerably, and was always higher than the legal tender value until the guinea was made legal tender for 21*s.* At one time it was declared illegal to receive the guinea for more than 26*s.*, and afterwards for more than 22*s.*; it being throughout that period legal tender for 20*s.* Lord Liverpool says (p. 24), 'A proclamation was issued on the 17th December, 1717, reducing the value of the guinea from 21*s.* 6*d.* to 21*s.*' The value of 21*s.* 6*d.* referred to by Lord Liverpool was established merely by custom; for the legal tender value appears then to have been 20*s.*, and the maximum value at which it could legally be received 22*s.* The guinea does not appear to have been really legal tender for 21*s.* until the 6th May, 1718.—*Note to Second Edition*, 1882.

worth the debtor's while to pay in silver rather than in gold, under the terms on which the National Debt was contracted, then the arbitrary and completely one-sided character of the law of 1816 would, I argued, certainly be challenged, and would justly fall. For, whatever metal or metals may be declared legal tender, their unrestricted admission into circulation as coin is required by equity, seeing that the growth and extension of commerce and population require a corresponding increase of coin to prevent a continuous fall in the general level of prices;[1] and, as a matter of principle, a law which makes it requisite to use gold for payments for which it was previously legal to use silver, tends to enhance the value of gold all over the commercial world, and to depreciate silver to exactly the same extent, though circumstances, such as the elasticity of foreign circulations, and other causes, may prevent this effect from being made practically apparent by a change in the relative value of gold and silver.

The relative depreciation of silver, then looked forward to as a possibility, has become a fact. But this has been brought about not by the new discoveries of silver, but by the action of Germany in discarding its silver coins and replacing them with gold coins. This is practically a much more serious matter than a depreciation brought about merely by fresh discoveries of silver. If the silver currency were depreciated merely by fresh quantities of the metal being poured into the circulation of those countries in which it is part of the legal tender, then gold would also be to some extent

[1] The admission of fresh supplies is also required by the practical difficulty of keeping them out.

depreciated by that addition to the metallic circulation of which it forms a part. The fresh addition of silver might thus be an indirect benefit to the debtor, even though obliged to pay in gold. Under such circumstances the only grievance the English national debtor could have would be that the law of 1816 had deprived him of a benefit to which by the original terms of the debt he was entitled. When, however, a depreciation of the silver currency is brought about by silver being thrown out of circulation and replaced by gold, then, just in proportion as silver is depreciated by the increased supply thus thrown on the market, so also the value of gold is enhanced by the increased demand thus created.

The propaganda started by the Paris Conference of 1867 now proposes to demonetise silver and make gold the sole standard of value among all nations. And as there are 850,000,000*l.* of gold and 720,000,000*l.* of silver coin and bullion now in circulation, this idea, if achieved, would enhance the value of the English National Debt at least 25 per cent. It would practically form as great an increase of the burden of the debt as if under existing circumstances a new loan of more than 200,000,000 pounds sterling were now to be raised. The position of the English national debtor is now, therefore, this: He has been deprived of the right of paying in silver; a right which would now be beneficial to him. And the value of gold, into which the same law has transferred his debt, is now in process of being tampered with, to his serious detriment. Seeing that silver had, from time immemorial been the English standard of value, and that the gold standard was a mere excrescence upon it,

the law of 1816 would have been less arbitrary if, instead of depriving the debtor of the right of paying in silver, it had deprived him of the right of paying in gold. But why should he be deprived of either right? The fact is, that the law was passed as a matter of convenience, without any intention of doing injustice; and it seemed likely its practical working would be equitable. As this has now proved otherwise, it is both just and expedient that immediate action should be taken to provide a remedy for the weak point in that law.[1]

That it is expedient to take such action becomes evident, if we consider the position into which the advocates of the sole gold standard, if not checked, are about to carry us. The general demonetisation of silver must be a slow process. It cannot be quickly accomplished. But whether done slowly or quickly, there is every prospect that when it has been accomplished the present difference in the relative value of gold and silver will be immensely increased. When silver has thus been reduced to a fraction of its relative value to gold, is it likely that the national debtor will be content to pay in gold coin, whose value will have been enhanced by Government interference, a debt contracted with the right of payment in comparatively valueless silver coin? From a purely practical point of view it is indeed rather in the interest of the bondholder than in that of the

[1] I did not know when writing the above that the so-called weak point had actually been provided for in the Act of 1816 by a clause allowing the mint to be reopened to silver at any moment by Royal Proclamation. It was by the Currency Act of 1870, and not by the Act of 1816, that the injustice was effected, though it could not have been done without the basis afforded by the Act of 1816.—*Note to this Edition*, 1896.

debtor, for the Government immediately to legislate for the purpose of sustaining the value of silver.[1] But, in fact, it is for the interest of both parties and for that of the general peace and prosperity of the country, that active measures should be taken to prevent the creation of such conflicting interests.

We have a gold circulation of 130,000,000*l.* sterling. Can it be doubted that we have thus in our hands a power far more than sufficient to restore the equilibrium which has been disturbed by the action of Germany?

It is feared by many that there is a larger surplus stock of silver ready to be thrown on the market than our circulation could absorb, without banishing all our gold in exchange for it. It appears to me that those who are of this opinion overlook the fact that every pound of silver bought in the market by the English mint would enhance the value of silver, whilst the gold thrown on the market in exchange for the silver would depreciate the value of gold; and this action would tend rapidly to restore the former relative value of silver and gold. Its powerful efficacy has, in fact, been proved not only by the past history of the French mint, but also by the recent action of the German mint; for it is obvious that the same adverse action brought to bear against gold might at any time depreciate that metal just as silver has been relatively depreciated. The extreme amount of England's direct influence in the matter consists in the power to force 130,000,000*l.* of gold from England, thereby reducing the value of each unit in the stock of 700,000,000*l.* in circulation elsewhere 16 per

[1] Or, more correctly, to prevent the enhancement of the value of gold, as shown in Chapter I. and farther on in this chapter.

cent., and also in absorbing 150,000,000*l.* of silver, thereby enhancing the value of each unit in the stock of 720,000,000*l.* 27 per cent. This would amount to a relative depreciation of 33 per cent. in the value of gold, or sufficient to restore silver from a price of 40*d.* to the former par of 60⅞*d.* per oz. I cannot see sufficient reason for doubting that England's action would restore the disturbed equilibrium, seeing that it is obviously the interest of all silver currency countries to aid that action, even though they may shrink from the responsibilities of commercial treaties on the subject.[1]

Besides this interest of various nations in maintaining the value of their existing stocks of silver, France has also the same duty to perform as England has; for France has a large National Debt, and it has also been borrowed under the double standard. Germany can afford to be more independent in the matter; for an enhanced value of gold, which would be equivalent to an addition of more than a thousand millions sterling to the debts of England and France, would add less than one hundred millions to the debt of Germany And therefore it can scarcely be doubted that, if the double standard were again legalised in England, and discretion as regards the mint price of gold and silver left with the mint authorities, the English and French mints would im-

[1] As the admission of silver into circulation in England would thus raise its value, and as it now has as much purchasing power as in 1873, it thus appears that the supply of both gold and silver combined has not in recent years been sufficient to keep pace with the increasing requirements of commerce without raising the average value of the two metals. But this may perhaps be entirely due to the check given to the production of silver by its recent demonetisation, as already suggested in Chapter I. page 76.—*Note to Fifth Edition*, 1888.

mediately arrive at an understanding regarding the course to be followed for the common interest of the two countries. The two countries hold not very much less than half of the gold in circulation, and have therefore the power, within very wide limits, to make the relative value of gold and silver just what they choose to make it, even if not assisted by the action of other nations. It is, however, notorious that the United States and many other nations would be prevented by their own interests from active opposition to an attempt to re-establish the former equilibrium ; and therefore any active measures taken by them would rather be for the purpose of assisting our action. Even, however, if unaided by the active co-operation of the French mint, and not completely successful, England's sole action would at least make the depreciation of silver so slow as to prevent any risk of its forming a great national disaster, for it would put a practical and immediate end to the propaganda in favour of the universal adoption of the gold standard, which caused the French mint to be reluctantly closed against silver.

It cannot be doubted that if an issue of four-shilling silver coins equivalent to the French five-franc piece had been made as unlimited legal tender in England, in 1867, as suggested by Mr. Ernest Seyd, the present depreciation of silver would have been prevented. And this being so, then the suppression of the silver standard by the law of 1816 [1] is as much the cause of the present depreciation as the recent German law which has been

[1] As pointed out in the Preface to this Edition, the Act of 1816 held the silver standard in abeyance, and there was no suppression until the Currency Act of 1870 was passed. England suppressed the standard

the immediate cause. But, in fact, the responsibility rests chiefly upon the English law; for the German law and also the whole of the propaganda against silver are notoriously a consequence of the example set by England in 1816. The blow which has depreciated[1] silver was really, then, struck by England in 1816; and the act was not consummated under the plea of necessity, but was the result of an opinion in favour of a sole gold standard carried into effect in ignorance of the mischievous effects it might entail. That law is the only one which has tampered with the English standard of value since the National Debt was first created. With all its authority it cannot change the terms under which the loan had previously been received, and therefore it does not in justice annul the debtor's right to pay in silver. I say it does not in justice annul the debtor's right to pay in silver, because, whilst discussing the question of reforming the law of 1816, we must keep in view the fact that the principal representatives of the bondholders are bankers, merchants, and capitalists who are supposed to understand the effects of such laws; whereas the principal representatives of the national

in 1870. Germany, France, and the United States followed suit in the years 1872 and 1873, and in this latter year Lord Beaconsfield made the memorable speech in which he pointed out the dangers of this course.—*Note to this Edition*, 1896.

[1] The arguments in the paper on Lord Liverpool's Oversight show that the depreciation of silver was then merely in relation to gold, and not absolute; which makes the argument in favour of a restoration of the double standard as a matter of equity all the stronger. See p. 163.—*Note to Second Edition*, 1882.

It has become evident that gold has risen in value at least 40 per cent. since 1873, and that silver has not fallen in value at all.—*Note to Fifth Edition*, 1888.

debtors are labouring all day in the field, in the factory, or in our coal and iron mines, and do not pretend to understand the action of financial legislation. But if silver is allowed to become greatly depreciated below its present value in relation to gold, then the simple question as to whether 1,718 grains of silver are or are not as good legal tender as 113 grains of gold for each pound sterling of capital or interest of the National Debt, will be easily understood by all. The contingent disasters of such a predicament are as obvious as the fact that they can be averted by the readoption of the double standard annulled in 1816.

The course of events may be such as to make the maintenance of the law of 1816 result in the rights of the bondholders being challenged, just as the legal rights of the slave-owners in the United States were formerly challenged on the plea of a higher law, and ultimately were annulled.

The Funding System has played an important part in the history of the world since its first success in assisting the cause of the great English revolution in 1688. It is an institution which has contributed to the establishment of order and good government throughout the civilised world. Its utility, when resorted to in moderation and with discretion, cannot be questioned. It would, nevertheless, be hard to invent any institution whose abuse could more insidiously, but surely, ruin the prosperity not only of a nation, but even of the civilised world. Neither the old resource of raising money by debasing the current coin, nor the more modern method of making money by printing inconvertible paper, allows scope for such mischievous consequences as may be

created by an abuse of the Funding System in raising money by loans to be repaid by future generations.[1]

There is a limit in every country beyond which the system cannot be resorted to without entailing certain ruin. It cannot be supposed that the English debt has reached that limit. If, however, the value of the interest on that debt should be enhanced 20, or perhaps 80 per cent., by silver being thrown out of circulation, and if any continuance of hard times should prevail in the country, then the debtors may perhaps look beyond the right of paying in silver, of which they have been deprived by the law of 1816, and may ask by what right any law, or system of laws, decrees them to have been born with the obligation of allowing the profits of their labour beyond a meagre subsistence to be appropriated by others. Under the laws of England which prevailed from before the Norman Conquest to the year 1816, not only the holders of silver, but also all debtors, held rights which have been ignored by the law passed in the latter year; and if that law continues to be sustained, then on no principle of equity can a line be drawn to stop a gradual progress from the repudiation of silver, which was then inaugurated, to the repudiation of the National Debt, by a law which will be the natural sequel to that of 1816. Even supposing that law to favour the creditor to the extent not of 80 or 20 per cent., but even 10 or 5 per cent., that alone is enough to condemn it.

Before the establishment of the Funding System, the standard of value was frequently debased to the detriment of the creditor; but the sharp eyes and sharp

[1] See footnote, page 117.

wits of the bondholders have taken care to prevent any more rascality with that tendency. The debtors were not so ably represented in Parliament in 1816.

I have already said that I do not believe that Parliament then intentionally defrauded the debtors, but that they were chiefly influenced by an opinion in favour of the gold standard. But surely, when acting on such a consideration, it must have been forgotten that the law by which the double standard had been legalised had been recommended by such an authority as Sir Isaac Newton, and that its wisdom had been certified to by Napoleon Bonaparte, who adopted a similar double standard in France in 1804.[1] Those authorities in favour of the Double Standard ought to have sufficed to make even Lord Liverpool refrain from tampering with the established standard of value simply on the plea that, in his opinion, the gold standard was preferable to the Double Standard. It was, doubtless, at that time, expedient for gold, rather than silver, to be coined; but, nevertheless, the mint should have been allowed the right of purchasing silver for coinage whenever it could do so at a fair profit; as, in fact, it could do at present.

Of course I do not advocate the idea of throwing the mint open for the free coinage of silver whilst the present depreciation exists. The mint, whilst endeavouring to restore silver to its previous value in

[1] Cernuschi says France changed from the ratio of 15 to that of $15\frac{1}{2}$ in 1785.—*The Great Metallic Powers*, page 13. Ernest Seyd gives the date more circumstantially as 1804, as in the text above.—*The Decline of Prosperity*, page 86. Laveleye casually alludes to 1803 as the date of the French law.—*International Bimetallism*, page 7. In 1785 the French mint reduced the weight of their gold coins one-sixteenth.—*Note to Fifth Edition*, 1888.

relation to gold, should realise, for account of the National Exchequer, the profit to be gained by buying at the market rate and issuing at the legal tender rate.

I do not advocate this course on the plea of the Double Standard being better than either a gold or a silver standard ; but on the plea of the standard of value having been improperly tampered with in 1816, and of its being expedient that that sole breach of faith which has occurred between creditor and debtor since the establishment of the National Debt, should now be repaired.

The object to be attained is the prevention of the demonetisation of silver. Provided that the existing stock be kept in circulation, and fresh supplies of silver be as freely received at the mints as fresh supplies of gold, the precise relative value of the two is a minor matter of detail which does not affect the interest of either debtor or creditor.[1]

The principle to be considered in this matter of

[1] See footnote, p. 86. Under the double standard it is the whole mass of gold and silver which forms the standard of value, and not merely the coined portions of the metals, and therefore a change of ratio at the mints tends merely to cause a change in the relative quantities of the two metals which would otherwise be offered for coinage, without affecting the standard of value. But though the change of ratio does not affect the *standard of value*, it may affect the *standard unit*. In order that the latter might not be affected by a change of ratio, one half of the change should be effected by *increasing* the weight of the coins of one metal, and the other half by *decreasing* the weight of the coins of the other metal.

In practice, however, all changes of ratio have been effected by changing the coins of only one of the metals, thus making each time a slight change in the value of the standard unit, and any future changes will also probably be effected in the same manner, because it leaves one set of coins which are indisputably legal tender on all current contracts, and its greater

detail is the same as that which appears to have been misunderstood in Parliament in 1816. As both gold and silver had been driven almost completely from circulation by depreciated paper, it was quite right to give a preference to the free coinage of gold at the mint as a matter of convenience, and to leave the free coinage of silver in abeyance,[1] for as long as the relative value of the two metals remained undisturbed, it was immaterial in which metal accounts might be liquidated. The mistake consisted in abolishing the silver standard absolutely, evidently forgetting or ignoring the fact that the debtor would continue to have, under the terms of the National Debt, an absolute right to pay in the silver pound sterling, if at any time the preference given to the coinage of gold should artificially enhance the value of the gold pound sterling

Just as the coinage of gold in preference to silver might have been resorted to in 1816 as a matter of convenience without prejudice to the rights of debtor or creditor, so also, provided gold and silver both be acknowledged as unlimited legal tender, and whilst working for the restoration of the former equilibrium, it is immaterial as regards the respective interests of debtor and creditor whether the rate of issue be the former English rate of 1,718 grains for a pound sterling, which

simplicity more than compensates for the slight change of the value of the standard unit, which might be avoided by changing the weight of both sets of coins.—*Note to Third Edition*, 1883.

[1] I have always contended that a restoration of the double standard in England would lead to free coinage in the sense required by Lord Liverpool (i.e. gratuitous coinage) being discarded. In 1816 such free coinage was considered essential to a standard of value.—*Note to Fifth Edition*, 1888.

is equal to the ratio of 15·209 to 1; or the French rate of $15\frac{1}{2}$ to 1; or the issue recommended by Mr. Seyd of 4*s.* coins containing $350\frac{5}{8}$ grains of pure silver, and therefore equal to $2\frac{1}{8}$ rupees. If we were acting without expecting the speedy co-operation of other nations in the attempt to restore and sustain the value of silver, then the latter coin would not only have the merit of being a convenient coin for legal tender both in England and in India, but, as it gives silver and gold the ratio of 15·515 to 1, the mint might issue at that rate under circumstances which would not conveniently allow of its issuing either at the French rate of $15\frac{1}{2}$ to 1 or at the former English rate of 15·209 to 1. As the latter rate, with the French bimetallic law in force, gives silver in relation to gold a value of nearly 2 per cent. more than the French rate, its action would tend to force silver to the English mint and gold to the French mint; and therefore it could not be permanently readopted without inconvenience. The adoption of the French ratio would not only obviate this inconvenience, but would also have the merit of facilitating the action of France and other countries in joining the course initiated by us for maintaining the circulation of silver; and this latter consideration makes a coin of the French ratio (say a 4*s.* coin containing 350·305 grains of pure silver), as many years ago suggested by Mr. Seyd, more desirable than his later suggestion of the heavier coin of $350\frac{5}{8}$ grains.[1]

[1] 'Let our Government agree, then, that for the British dominions 113·0016 grains of pure gold (123·27447 standard) or 1751·5247 grains of pure silver (1893·5403 standard) shall be indifferently a good discharge for a debt of one pound sterling, and that they will coin all silver that any one brings to the mint into pieces of 350·3049 grains pure, the debtor to have always the option of paying his debt either in gold or silver. For

The great object to be attained, as already said, is to keep both gold and silver freely in circulation, remembering that the debtor has as much right to protest against the mint being closed against silver as the creditor would have to its being thrown open for the free coinage of copper as unlimited legal tender. And therefore, if the attempt to sustain the value of silver should fail, and it should, in consequence of the mints having been closed against it, fall to a small fraction of its present value, the national debtor has, in equity, just as much right to pay 1,718 grains of silver for a pound sterling as the creditor has to demand 113 grains of gold, whilst by the terms on which the loan was raised the debtor has the right of paying in silver, and the creditor has not the right to demand gold. The bondholder who encourages the demonetisation of silver in the hope of improving his income takes, therefore, I think, a short-sighted view of the matter.

other countries the weight and denomination and currency of silver and gold coins would be specified in a corresponding manner. This is the whole Bill.'—*The Double Standard.* By Henry H. Gibbs, with an Introduction by Henry R. Grenfell: London, 1881, p. 45.

Though I do not attach much importance to the question as to whether the silver coin for unlimited legal tender is to be a four-shilling or a five-shilling coin (that is to say, a silver crown, containing 437·8812 grains of pure silver), it is nevertheless satisfactory to notice that Mr. Gibbs has pronounced in favour of the same coin recommended in the text above. I am, however, most emphatically at variance with Mr. Gibbs as regards what he considers to be 'the whole Bill' required for an international treaty on the subject. For Mr. Gibbs' proposal evidently implies coinage *free of charge*, as was erroneously supposed by Lord Liverpool to be essential for the maintenance of a true standard of value. Not only have I shown that Lord Liverpool was mistaken on the latter point, but I have also suggested that it would be most undesirable for the English mint to be bound by treaty with foreign governments to coin indiscriminately, free of charge, all gold or silver offered for the purpose.—*Note to Third Edition*, 1883.

The assertion that, under the circumstances just mentioned, the debtor has, in equity, as much right to pay in silver as the creditor has to demand gold, rests on the fact that the relative depreciation of silver is caused, not merely by a decrease in the value of silver, but also by a simultaneous increase in the value of gold. The proportion which the rise in the value of gold may bear to the fall in the value of silver must depend on circumstances. With half the metallic circulation gold and the other half silver, then the withdrawal of one-half of that specie would necessitate the withdrawal of one-half of the paper circulation based on it. And then the rise of gold would be as great as the fall of silver, or gold might even be doubled in value with a relative depreciation of 70 or 80 per cent. in the value of silver; unless the difficulty of withdrawing the paper should practically result in a great part remaining as inconvertible currency. For this and some minor reasons I have alluded to the demonetisation of silver, not as doubling the burden of the National Debt, but as equivalent to an increase of 25 per cent. An absolute rise of 25 per cent. in the value of gold with a fall of 25 per cent. in the value of silver would be a so-called depreciation of 40 per cent. in the value of silver, or a market price of 36*d.* per oz. It is, however, practically possible that gold might rise 80 per cent., and that the utility of silver for other purposes than coin might keep it from falling more than 70 per cent., which would be a relative depreciation of $83\frac{1}{3}$ per cent., or a market price of 10*d.* per oz., which may perhaps be the extreme price to which it is practically possible for silver to fall. If, however, we admit the practical impossibility of more than partially changing

the circulation of India and China from silver to gold, and the certainty that a considerable amount of inconvertible paper must remain in circulation in some countries on silver being thrown out, we may perhaps safely consider 20*d.* as a practical limit to the fall in silver which the attempt to establish gold monometallism might cause. That price would result from a fall of 50 per cent. in the value of silver, coupled with a rise of 50 per cent. in the value of gold.

It must, however, be borne in mind that, though the relapse of some nations to inconvertible paper might partially check the immediate rise of the value of gold, their attempt to return to specie payments would tend to cause a slower rise. So that in theory there is no limit to the rise in the value of gold which a demand for metallic circulation might cause, and we have therefore before us the abstract possibility of gold being trebled in value, or a rise of 200 per cent., which, with the fall of 70 per cent. in the value of silver, would give a relative depreciation of 90 per cent., or a market price of 6*d.* per oz., which could, however, be brought about only by a very slow process.[1]

[1] 'We have all seen what has been the consequence of the demonetisation of silver by Germany, and the consequent absorption of gold by that nation, and that prices, as measured in gold, have fallen considerably wherever other circumstances have not concurred to maintain them. What will be the case if France and the Latin Union and the United States should be driven to do the same? The consequent and sudden fall in prices will be not fourfold but fortyfold, and the peril to our commerce will be incalculable. The only real and permanent remedy would then be our adhesion to the principle of the double standard as set forth in these pages.'—*The Double Standard*, by Henry H. Gibbs, with an Introduction by Henry R. Grenfell. Effingham Wilson, London, 1881.—*Note to Third Edition*, 1883.

Whether the demonetisation of silver doubles the value of gold, or merely adds 15 per cent. to it, that is to say, whether it is equivalent to an addition of 750,000,000*l.* to the National Debt, or merely an addition of 112,500,000*l.*, it is not just that such an additional burden should be imposed on the debtor by the vagaries of artificial legislation, or on the plea of a gold being more convenient than a silver circulation. If, therefore, the influence of the bondholder should be exerted for the demonetisation of silver, the debtor will, with equity, stand on the original terms of the bond, and insist on 1,718 grains of silver being accepted as legal tender for a pound sterling.

What is at present termed the depreciation of silver is probably due in a greater degree to an absolute rise in the value of gold than to an absolute fall in that of silver.[1] For the action of Germany in withdrawing 100,000,000*l.* from a stock of about 800,000,000*l.* gold tends to give an increased value of 14 per cent. to each remaining unit. Whereas the 60,000,000*l.* sterling of silver thrown on a stock of about 640,000,000*l.* tends to depreciate each unit 9 per cent., making a relative depreciation of 20 per cent., or a market price of 48*d* per oz. How much of the fall beyond 48*d.* was due to a rise of gold, or to a fall of silver, it is more difficult to estimate. Probably a part of the fall was similar to the fall which occurs in the value of bank notes in face of a prospect of repudiation on the part of the bank of issue. For every grain of gold or silver, whether in coin, in bullion, in articles of use, or as yet undisturbed in the

[1] This opinion has been corroborated by the arguments alluded to in the footnote on page 153.—*Note to Second Edition*, 1882.

mine, has virtually become a promise to pay on demand. They do not, like paper, require words stamped on them to be distinguished by the bank. The civilised world is the banker by whom those promises are issued, and property of all other descriptions is the value in which they are payable on demand. The prospect of demonetisation, or, in other words, the propaganda made to induce the banker to refuse to 'cash' the silver promises at par, would naturally cause a depreciation which would be recovered as confidence in the intention of the banker to cash the silver, as well as the gold promises, became restored.

The propaganda openly advocate repudiation merely as a matter of convenience, apparently forgetting its inconvenience to the holder of the promises.

We know too well what distress and ruin are wrought by the failure of a comparatively small country bank to cash its notes. We may perhaps be able to imagine the distress and poverty which would result from the repudiation of the Bank of England promises to pay. But what is that compared to the world-wide influence of the repudiation of silver? In justice to mankind let it be recorded that no such gigantic, bold, and mischievous injustice has ever before been attempted in the history of the world; and also, that the rising value of silver now shows a return of confidence in the banker's honour.

Returning to the more practical line of argument: it is, as already stated, an open question whether under existing circumstances the attempt by England to return to bimetallism would practically give us a double standard or a silver standard. But it seems most

probable that even an attempt to effect a change of our current coin from gold to silver by the mint purchasing silver at its market rate and issuing it at the rate of $15\frac{1}{2}$ of silver to 1 of gold, would simply result in the practical working of the double standard; for the mint would, of course, cease its purchases of silver as soon as they ceased to be profitable, and it is not by any means apparent that there is a sufficient supply of silver for the demand which the attempt to change our circulation from gold to silver, without cost, would create. For, as France and the United States are both interested in maintaining silver in circulation, they would naturally at least refrain from opposing our action. Be this, however, as it may, seeing that justice requires the readmission of silver into the circulation, that consideration should override all nice distinctions of opinion regarding the comparative merits of the Silver, the Gold, or the Double Standard. Our present rate of 1,718 grains of silver for 113 grains of gold allows a permanent premium on the importation of silver in exchange for gold, from countries under the French bimetallic law. The precise rate at which silver is readmitted is, however, a mere matter of convenience, as it does not affect the respective interests of debtor and creditor, provided it is such as to sustain the practical working of bimetallism; and, therefore, the adoption of the French ratio would be a just arrangement in the interests of the bondholder, without giving the debtor any equitable cause for complaint. The fact to which we must not shut our eyes is that, in case the attempt to re-establish the equilibrium between gold and silver should fail, and silver should consequently become

permanently depreciated, then no legislation can change the fact that 1,718 grains of silver is a true legal tender for the pound sterling under the terms on which the National Debt was received.[1] It is the pound sterling in which the debtor has that right to liquidate the debt; whilst, as a question of equity, it would be as unfair for the debtor to be forced to pay 113 grains of gold, as for the creditor to be forced to receive 1,718 grains of silver, though the terms of the debt make this legally valid.

It is in order to prevent the growth of these conflicting interests that England should immediately take practical measures to restore the value of silver. If those measures should fail, then 1,718 grains of silver will practically become the British pound sterling, whose value in relation to foreign circulations will readjust itself. If, at any subsequent period, the vagaries of foreign legislation should so raise the value of silver and depreciate that of gold, as to make 1,718 grains of silver worth more than 113 grains of gold, then, if the difference became sufficient to leave more profit to the mint on coining gold than on coining silver, it would again put gold in circulation.

In the absence of a bimetallic law established by international treaty, the foregoing is the system into which all nations will, I believe, gradually be forced by

[1] As shown in the footnote on page 54, Mr. Bertram W. Currie, before the Royal Commission on Gold and Silver, asks: 'If the State says debts contracted in gold may be paid in silver, why not in shells, stones, anything?'

The answer to this is, that as Parliament have changed a silver debt into a gold debt, they have certainly just the same right to change that same debt back again to a silver debt; and the question as to the right of changing to any standards which never were the standard of the debt may hen be more effectively negatived.—*Note to Fifth Edition*, 1888.

self-interest; and by it the principle of bimetallism would be practically maintained, subject to variations of perhaps 3 or 4 per cent. Whilst alluding to this system of the independent action of each nation, it will not be out of place for me to mention that in the year 1874, when I expected to have the requisite support for the purpose in London, I drew up a system for the introduction of a metallic circulation into this country (the Argentine Republic), and framed it on that principle; considering it one that could be sustained here, even though the maintenance of a sole gold standard might become impracticable.[1] The present objection to acting on that principle in England is, that it compels us to run the risk of a complete change from a gold to a silver circulation. I do not myself believe that, if managed with discretion, it would have such a result. And in favour of that course is the expediency of avoiding the creation of the conflicting interests between debtor and creditor, to which I have alluded, and also the duty of abstaining from such a wholesale change of the standard of value under which the National Debt was received, as must result from the demonetisation of silver.

For these reasons it seems to me that justice commands the practical course which it is now England's duty to take. The mint cannot, without national dishonour, remain closed against either gold or silver; but a fair charge might with propriety be made to cover the cost of coining gold, and the mint price for silver might

[1] Specie payments were suspended in Buenos Ayres in 1876. If the specie circulation had then been silver instead of gold, the pressure which caused the suspension would, to say the least, have been very much less, and probably would not have been felt at all.—*Note to Second Edition*, 1882.

be made to follow the market value in such a manner as to keep a constant supply offering as long as the mint can make a profit by coining. Neither France, with all her monetary power, nor any other country, could take the course I have suggested for England, with the same prospect of success as would attend England's action. For France would have to act, not only knowing beforehand that the English law of 1816 makes it impossible for the English mint to assist that action, but also, in face of the risk of a further extension of the principle of gold monometallism already adopted by England and Germany. But the first effect of the restoration of the double standard in England would be an immediate scramble between the English, French, and other mints for the profit to be made by the first purchases of silver for coinage; for all danger of an extension of gold monometallism would then be removed. By the time the English or other mints had between them picked up as much money as Germany has spent in the process of changing from a silver to a gold coinage, the old equilibrium would be re-established. For as regards this special point, the effect of legislation may be regarded as that of a game of cards, by which no wealth is created though money changes hands. Germany has thrown a pile of money on the table, and it remains to be seen whether England will take it up by playing the silver standard: or whether, by the maintenance of the gold standard, Germany may get the best—or, I should rather say, come least badly off in the game of 'beggar my neighbour,' which has been inaugurated by the attempt to extend the gold standard.

Even, however, supposing that we were not guided

by self-interest, as I contend, to the course here suggested, nevertheless the main conclusion arrived at by the foregoing arguments is that, though circumstances may give us practically a single standard under a double standard law, we have no right to a single standard established by law whilst the National Debt remains unpaid. And justice, therefore, calls on the nation to choose between two courses—either pay off the National Debt by an assessment on capital, as urged by Ricardo; or return to the double standard, as arranged by Newton.[1]

Mr. Chairman and Gentlemen,—I have, as you have

[1] The debt has now enhanced in value too much to allow of its being paid off equitably without a previous return to the double standard. The closing of the mints against silver has created a condition unique in the history of finance, by artificially preventing the supply of metallic money from keeping pace with the increase of commodities; and the long-continued conjunction of low prices for commodities and low rates of interest for money illustrate on a gigantic scale the argument given by David Hume in the following passage:—

'Those who have asserted that the plenty of money was the cause of low interest seem to have taken a collateral effect for a cause, since the same industry which sinks the interest commonly acquires great abundance of the precious metals. . . .

'It is true, when commerce is extended all over the globe, the most industrious nations always abound most with the precious metals, so that low interest and plenty of money are in fact almost inseparable. But still it is of consequence to know the principle whence any phenomenon arises, and to distinguish between a cause and a concomitant effect. Besides that the speculation is curious, it may frequently be of use in the conduct of public affairs.'—David Hume, *Essays*, vol. i. pp. 302, 303; Edinburgh, Bell and Bradfute, 1817.

Though the development of banking facilities modifies Hume's argument as regards the most industrious nations abounding most with the precious metals, that does not affect his argument to the effect that the abundance or scarcity of metallic money does not determine the rate of interest, but does determine the prices of commodities all over the world.—*Note to Fifth Edition*, 1888.

perceived, urged you to adopt the second resolution chiefly as a measure required by justice and duty; secondly, as a measure of political expediency; and thirdly, as a financial measure, whose advantages outweigh its disadvantages. Be the merits of this third plea, however, what they may, let us remember

> It oft is told in England's story,
> The path of duty is the way to glory.

And even if the full concession of the right to pay in silver should result in a complete change from a gold to a silver circulation, the change may simply teach us more fully that our wealth and prosperity are due to ourselves, and not to the metal it may chance to suit us to use for coin.

APPENDIX

LETTER ON GOLD AND PRICES

PUBLISHED IN 'THE ECONOMIST' OF 1ST SEPTEMBER, 1894

To the Editor of the 'Economist'

SIR,—As I was an advocate of the double standard in the year 1857, when the discussion of the relative merits of the gold, the silver, and the double standard was merely an academic question, or, at any rate, not of the immediate practical importance which attaches to the present Battle of the Standards, I hope you will allow me to point out that in your last Saturday's article on the production of gold and silver the statement that 'It is evident that the supply of gold has not had that over-mastering influence upon prices which bimetallists seek to ascribe to it,' shows a misconception of our views.

What we contend for is, that the ratio of supply and demand determines prices, so that an increased demand for gold may cause a fall of gold prices in face of an increased supply.

Also, where you point out that the production of gold in 1893 was 50 per cent. greater than in 1884, you argue that if the bimetallic theory were correct, the large increase in the production of gold during the ten years ending 1893 would have raised prices. This argument is, however, at variance with the main point of our contention. We contend that, as

the supply of gold consists of the accumulated supplies of more than 2,000 years, an increase of 50 per cent. in any year's production has not even a tendency to cause any important rise in prices, and that any slight tendency to a rise in prices may be counteracted by increased demand for gold.

The 'over-mastering influence' upon gold prices during the past twenty years has been, we consider, the increased demand for gold caused by the demonetisation of silver. If 2,000,000,000*l.* value of silver are by the foregoing or by any other means reduced to one-half of that gold value, the amount of gold necessary to fill the vacuum and maintain the previous level of prices, under the same conditions of commerce, is a further supply of 1,000,000,000*l.* of new gold from the mines. A slight increase of wealth and commerce would be enough to absorb the increased production of gold during the past ten years without a rise in prices.—I am, Sir, yours faithfully,

Wm. Leighton Jordan.

Thatched House Club, St. James's Street:
August 28th, 1894.

ON SAME, IN THE 'ECONOMIST' OF 8TH SEPTEMBER, 1894

To the Editor of the 'Economist'

Sir,—In your article of last Saturday on the above subject, you suggest that what I must have had in mind when writing the letter to which you refer was the intrinsic and not the currency value of silver. As, however, no arrangements by which the value of any silver currency is made greater than the intrinsic value of the silver can affect gold prices, except through changing the gold value of silver, that distinction does not affect my argument, which was to the effect that if the price of 61*d.* per ounce of silver, and therefore the former level of gold prices, is to be restored merely by new supplies of gold, the amount requisite for the purpose is 1,000,000,000*l.*, or

such an approximation to that sum as to show that no immediate readjustment can be expected from that direction. I thoroughly agree that the relative values can be changed by a partial substitution of the use of silver for gold as currency; and, in fact, I know that I go far beyond you as to the facility of effecting a readjustment by that means

As regards the glut of gold, for which you challenge a bimetallic explanation, bimetallists consider (1) that, as a question of abstract theory, a fall in the price of silver is not necessarily a consequence of the supply exceeding the demand; (2) that the fall in price which has occurred during the last twenty years has been very slightly, if at all, affected by the silver supply and demand; and (3) we consider that the fall in the price of silver is due either entirely, or almost entirely, to a rise in the value of the gold currency in which the price is quoted.

In order to appreciate the opinion of bimetallists on the point you have raised, you must keep before you the fact that we are all quite agreed as regards the three points which I have above stated, and that we therefore consider that throughout the past twenty years there has not been in silver-standard countries any such important change in the value of the currency as to obstruct the ordinary course of business transactions; whereas in gold-standard countries the ordinary course of agricultural, industrial, and trading pursuits has been disorganised by the sudden rise in the value of the currency.

Such a rising value of the gold currency acts in the foreign exchanges immediately as a bounty on all productions of the soil and labour in silver-standard countries. to the disadvantage of similar pursuits in gold-standard countries. And this advantage to enterprise under the silver standard is enhanced by the fact that the bounty is not paid out of taxes raised in the silver-standard country, but by the merchants, who calculate on recovering it in the price obtainable in the gold country to which they send the produce. Trade has, however, had to struggle all along against a constant tendency towards

falling prices in the gold-standard countries, which has, doubtless, to a great extent thwarted these expectations of traders.

More slowly, but not less surely, industrial enterprises in gold-standard countries feel the increasing weight of current charges for rent and interest on mortgages or other loans. And perhaps the most important point of all is, that whilst, on the one hand, the former rate of wages tends to become more than the profits on industries can pay, on the other hand, as the working man's expenditure is chiefly in the retail trade, which is the slowest to yield to a rising value of the currency, this rising value brings about a position of antagonism between employers and employed which would not exist under a steady or a depreciating currency.

Industries and enterprise of all descriptions having been for twenty years harassed in the above manner, whilst vastly more than the intrinsic value of interest originally bargained for has accumulated as loanable capital, the present glut of gold in the money market and low rate of interest seem to be the natural result of those antecedents.

So great and widespread an appreciation of currency as that which bimetallists consider has recently occurred is unprecedented throughout the course of history, unless perhaps in the falling era of the Roman Empire; and who can say that, if there had not then been congestion of wealth in Rome to the detriment of Roman industries, the sword of an invader could have been thrown into Roman scales to outweigh Roman gold?—I am, Sir, yours faithfully,

W. LEIGHTON JORDAN.

Thatched House Club, St. James's Street:
September 3rd, 1894.

ON SAME, IN THE 'ECONOMIST' OF 22ND SEPTEMBER, 1894

To the Editor of the 'Economist'

SIR,—The letter which you publish on the above subject to-day seems to treat it as theoretically impossible for gold prices to rise whilst the silver exchanges are falling; but, according to the quantitative theory, such a position of affairs would naturally result from a fall in the value of gold combined with a greater fall in the value of silver, and, however remote the immediate probability, it cannot be considered impossible for both metals to fall in such a manner.

As you seem disposed to have this question discussed, I append a statement, showing, according to the quantitative theory, the mathematical connection between the London price of silver and your Index Number of prices, presuming the latter to show correctly the changes in the average of gold prices.

It is, of course, understood that though prices tend to fluctuate as the ratio between the supply and demand of commodities and that of gold fluctuates, the range of actual prices is often far from what would be indicated by theory if it were possible to obtain perfect data for an estimate. For instance, in 1857 merchants had become to a great extent imbued with an exaggerated opinion of the tendency of the new gold discoveries to raise prices, and had to pay out of their own pockets, in the crisis which ensued, for the extent to which they had forced prices above the normal range corresponding with the ratio between gold and other commodities; and the quantitative theory seems to be only now recovering from the disrepute into which it was then thrown in consequence of having proved a delusion and a snare through its action having been only partially understood. It was not then fully understood that, as the double standard then governed prices in all countries, the effect of the gold discoveries fell on the combined

stock of gold and silver, and not only on the stock of gold — I am, Sir, yours faithfully,

WM. LEIGHTON JORDAN.

September 15th, 1894.

If the price of silver and the index number both fall :—

1. If they fall equally, that is evidence of an appreciation of gold without change in the value of silver.

2. If the index number falls more than the price of silver, that is evidence that gold and silver have both appreciated, but silver less than gold.

3. If the index number falls less than the price of silver, that is evidence that gold has appreciated and silver depreciated.

If the price of silver and the index number both rise :—

1. If they rise equally, that is evidence of a fall in the value of gold without change in that of silver.

2. If the index number rises more than the price of silver, that is evidence that gold and silver have both depreciated, but silver less than gold.

3. If the index number rises less than the price of silver, that is evidence that gold has depreciated and silver appreciated.

If the index number falls whilst the price of silver rises, that is evidence that gold and silver have both appreciated, but silver more than gold.

If the index number rises whilst the price of silver falls, that is evidence that gold and silver have both depreciated, but silver more than gold.[1]

[1] If the index number remains the same :—

1. Whilst the price of silver rises, that is evidence of a rise in the value of silver without change in the value of gold.

2. Whilst the price of silver falls, that is evidence of a fall in the value of silver without change in the value of gold.

If the price of silver remains the same :—

1. Whilst the index number rises, that is evidence that gold and silver have depreciated equally.

2. Whilst the index number falls, that is evidence that gold and silver have appreciated equally.

ON SAME, IN THE 'ECONOMIST' OF 13TH OCTOBER, 1894

To the Editor of the 'Economist'

SIR,—In your paragraph of last Saturday on the production of gold, you point out that this year's supply will probably be close on 35,000,000*l.*, and seem surprised that, in spite of the recent large supply of gold, bimetallists persist in maintaining that the chief cause of the fall of prices is an insufficient supply.

Please allow me to press on you that bimetallists consider that the recent demonetisation of silver has caused an increased demand for gold at least fifty times greater than the increased supply on which you comment.

I am not at variance with David Hume, Adam Smith, McCulloch, James Wilson, or John Stuart Mill, but am more or less directly supported by them all as regards the action of the quantitative theory given in my letters which you have recently published. The connection between the price of silver and that of the average of other commodities given in my last letter is a necessary consequence of value and price both being determined by supply and demand ; the difference between them being that value is determined by the supply and demand of the commodity valued, and price by the ratio between the value of the commodity priced and that of the commodity in which the price is quoted.

The above definition better suits these times, in which gold and silver form two separate and different standards of value, than the simple definition of price as being determined by supply and demand and the cost of production, which is merely a different mode of stating the same fact, and served its purpose without necessarily causing confusion whilst the only standard of value in the civilised world was the double standard of gold and silver.

Though economists have often confused value and price, it is easy to see where their arguments apply to the latter, though not to the former, as I have defined them. The

distinction was of less importance in the days of the older economists than it has now become, and could not have failed to be more correctly distinguished in all cases by them, if writing under now existing conditions. Though principles are eternal, changing circumstances may bring into practical importance points previously unrecognised, except in the study. Of course, I do not mean to say that the difference between value and price was not well known and explained by the above economists; but, notwithstanding this, the term value is frequently used by them, and is often so used to-day, where, according to their own explanations, price and not value is obviously the subject of discussion.—I am, Sir, yours faithfully,

WM. LEIGHTON JORDAN.

October 2nd, 1894.

REPORT GIVEN IN THE 'OVERLAND MAIL' OF 25TH AUGUST, 1893, OF AN ADDRESS ON THE CHANGE OF STANDARD OF VALUE IN ENGLAND, IN INDIA, AND IN THE ROMAN EMPIRE

The lecturer stated that he held in his hand an English sovereign coined in 1852, and that it was up to 1874 a bimetallic measure of value; but since that date it had been a monometallic measure of value. Everyone who had made use of that sovereign during the first twenty-two years of its existence had been using a bimetallic measure, but everyone who had used it since had used a monometallic measure. The first knowledge we have of any appreciation of the standard value of gold was recorded in the time of the Roman Empire, when one of the emperors, in order to increase the taxes, ordered that all gold coins should have an extra weight of gold put into them. That action of appreciating the gold currency had been described by McCulloch, one of the greatest of political economists, as a method of swindling. Some might be disposed to think that the Roman emperor's action was justifiable if it were merely done for raising extra taxation;

but the evil did not rest there. Besides increasing the taxation, the value of all mortgages was increased, and trade and industrial pursuits were deranged. The action of the Indian Government in closing the mints to silver coinage might have the same effect as the Roman legislation, though the coins were legal tender above their intrinsic value, and could be commanded by the public only for gold, of which the immediate future value was now left to be determined by the United States Congress, and not by the British or Indian Governments. The public could command rupees only by paying gold for them at the rate of 15 rs. for a sovereign, but the value of the gold sovereign, and, therefore, probably that of the silver rupee, was about to be decided at Washington. Is this a satisfactory position, and why should it exist? Between the year 1867, when the propaganda to establish a gold standard to the exclusion of silver was started, and the year 1874, when the breaking of the bimetallic standard was effected, making gold and silver two independent standards, bimetallists were roundly, roughly, and constantly accused of being inflationists, bent on bringing about a depreciation of the currency to enable debtors to profit at the expense of their creditors. The answer given by hard facts, through twenty years of monometallic sway, was clear, telling us that silver prices had remained more or less steady, while gold prices had shown a relative rise of 40 per cent. in the value of gold, and that, therefore, the average which would have been given by the bimetallic standard would still be lower than the prices ruling before the separation of the standards. The event had proved that the dread of a deluge of silver being poured upon us, to the injury of creditors, had been one of the wildest delusions of the age. The increase of production and commerce had been such that all the available supply of gold and silver combined was not enough to maintain the former level of prices. The natural action of relative supply and demand, under which falling prices tend to an increase, and rising prices to a diminution, of the supply of metal for coinage

had been thwarted in gold-currency countries by governmental interference with the free action of the mints, and the Parliamentary legislation in 1816, which closed our mint to silver, had, since 1874, precisely the same effect as the Roman legislation on which McCulloch commented, and the same disorganising action was having effect throughout the British Empire as was, in a more direct manner, brought about in the Roman Empire. Creditors were not gaining directly to the full extent of the appreciation of gold, while indirectly the apparent gain was counterbalanced, and all industrial pursuits felt the full force of the effects of the disorganised currency. As regards our legislation in 1816, no serious injury was done by resuming metallic payments in gold while silver remained at the pound sterling valuation; but the relative appreciation of gold which followed the closing of the French mint in 1874 against silver ought not to have been permitted by our statesmen without reopening our mint for the coinage of the silver pound. Up to the latter date the gold sovereign, being a bimetallic measure of value, faithfully represented the pound sterling of our National Debt, which had been raised as a debt in which each pound was 113 grains of gold or 1,718 grains of silver, at the option of the debtor. The change to a debt of gold sovereigns effected in 1874 has added an increased value of 40 per cent. to the debt. Though the increased value of taxation caused by the change from pounds sterling to gold sovereigns is a lesser evil than the other effects of an appreciated currency already pointed out, it involves a question of right which overrides disputes as to expediency. Germany, France, and the United States have merely followed our lead in closing their mints to silver. The responsibility for the appreciation of the sovereign by its change in 1874 from a bimetallic to a monometallic measure of value was ours, and the people who are mostly injured by it are the great mass of our labouring and industrial population. International legislation on the subject involves the risk of disputes being created by treaty complications; but the more important objection

to it is the immorality of making our action in a question of right and justice among ourselves depend on the co-operation of other States. The rights of the national debtor, and the vastly greater interests of the industrial and agricultural classes throughout the country, demand the reopening of the mint for the coinage of the silver pound as well as the gold pound. The question as to the comparative convenience of a gold or a silver currency is paltry in comparison with those considerations. As a matter of fact, up to the recent closing of the Indian mints, eighteen years of legislation against silver failed to reduce its intrinsic value; and the demand for coinage of the silver pound would further support the value. The sovereign has since 1874 been a falsified measure of value, and the principles of justice and expediency combine in demanding that the falsification should be corrected by reopening the mint to the coinage of the silver pound together with the gold pound, with a reasonable international agreement if quickly possible, but otherwise without any such agreement.

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